

U.S. EMPLOYMENT TRENDS & DEVELOPMENTS

Chartbook
June 2000

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*This staff report expresses the views of the authors only. These views do not necessarily
reflect those of the Joint Economic Committee, its Chairman, Vice-Chairman, or any of its Members.*

FOREWORD

The labor market reveals a great deal about an economy. This booklet provides important information about both the structure and changing nature of the U.S. labor market. Compared to other large industrial economies, the labor market of the United States is characterized by greater wage flexibility and ease of entry into the workforce. As a result, the unemployment rate of the United States has been substantially lower than the rates of the other large industrial economies, particularly those of Western Europe.

Dynamic change and the structure of the labor force exert a powerful influence on the operation of our economy. The expansion in the proportion of workers in the prime-earning age categories has helped propel the growth of productivity and income during the last decade. The rapid growth of the high-tech sector is changing where we work and what we do. As the baby-boomers begin retiring around 2010, the reduction in the number of workers per retiree will place additional financial strain on both the Social Security and Medicare programs.

This user-friendly booklet presents information on the composition and changing nature of U.S. labor markets. I hope you will find it both interesting and informative.

Senator Connie Mack
Chairman, Joint Economic Committee

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THE LABOR FORCE

The enormous increase in the labor participation of married women is the most important labor force change during the past twenty-five years.

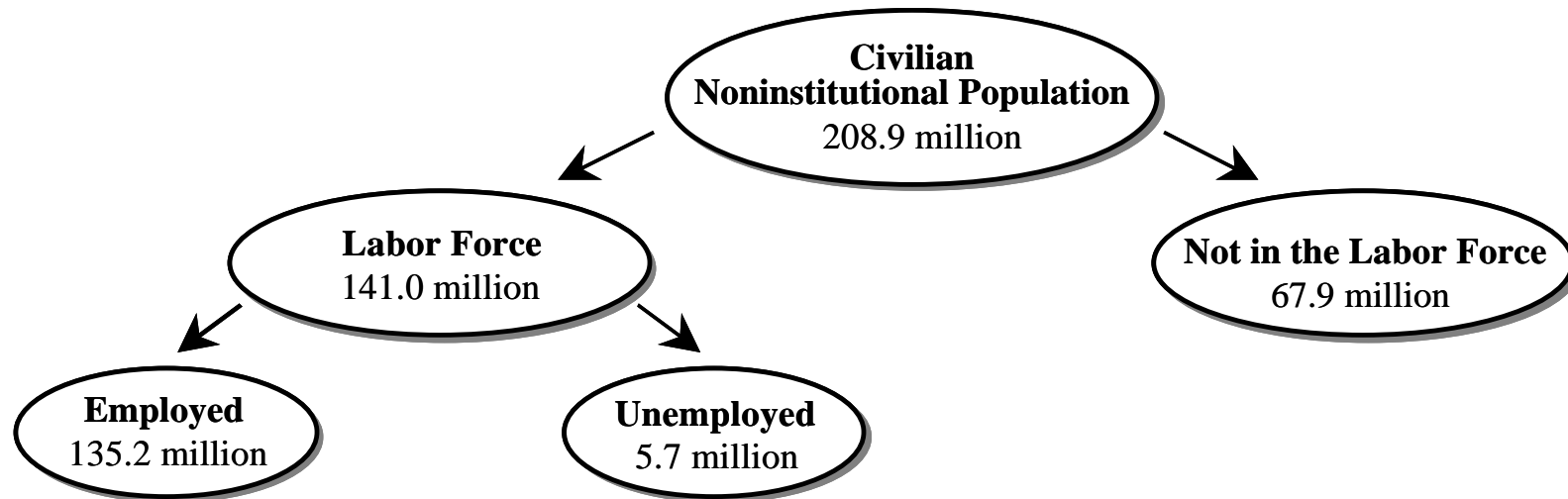
C Gary S. Becker, 1993

- i The U.S. labor force consists of roughly 141 million people.
- i Approximately 96% of the labor force is employed. The remaining 4% is unemployed but seeking employment.
- i More than two-thirds of the civilian noninstitutional population belongs to the labor force. Those in the remaining third of the population have chosen not to seek employment.
- i The labor force participation rate—the share of the adult population that is employed or looking for employment—has increased substantially over the past few decades. The participation rate of women has risen throughout the 20th century. The participation rate of men has fallen steadily since at least the 1950's.
- i In 1960, women constituted one-third of the labor force; today, they comprise nearly half of the labor force.
- i The rapidly rising labor force participation rate of women, combined with the continued maturation of the baby boom generation, ballooned the labor force 30% in the 1970's. By comparison, the labor force grew only 18% in the 1980's and 12.5% in the 1990's. It is projected to grow even more slowly in the decade ahead.

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Snapshot of the United States

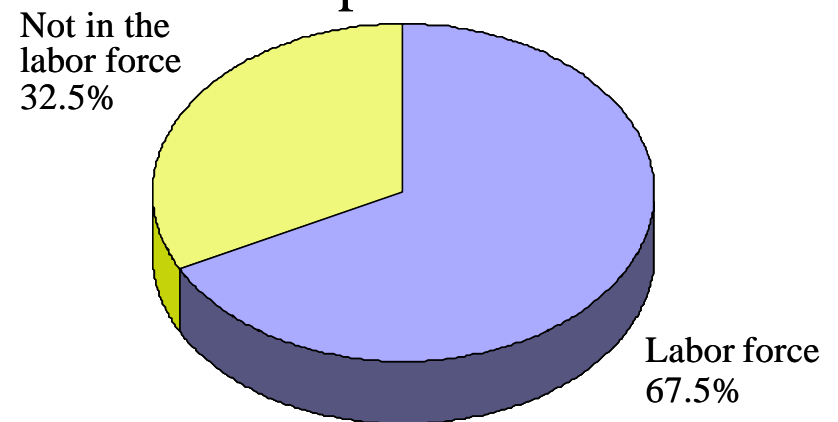
First quarter 2000



The Labor Force

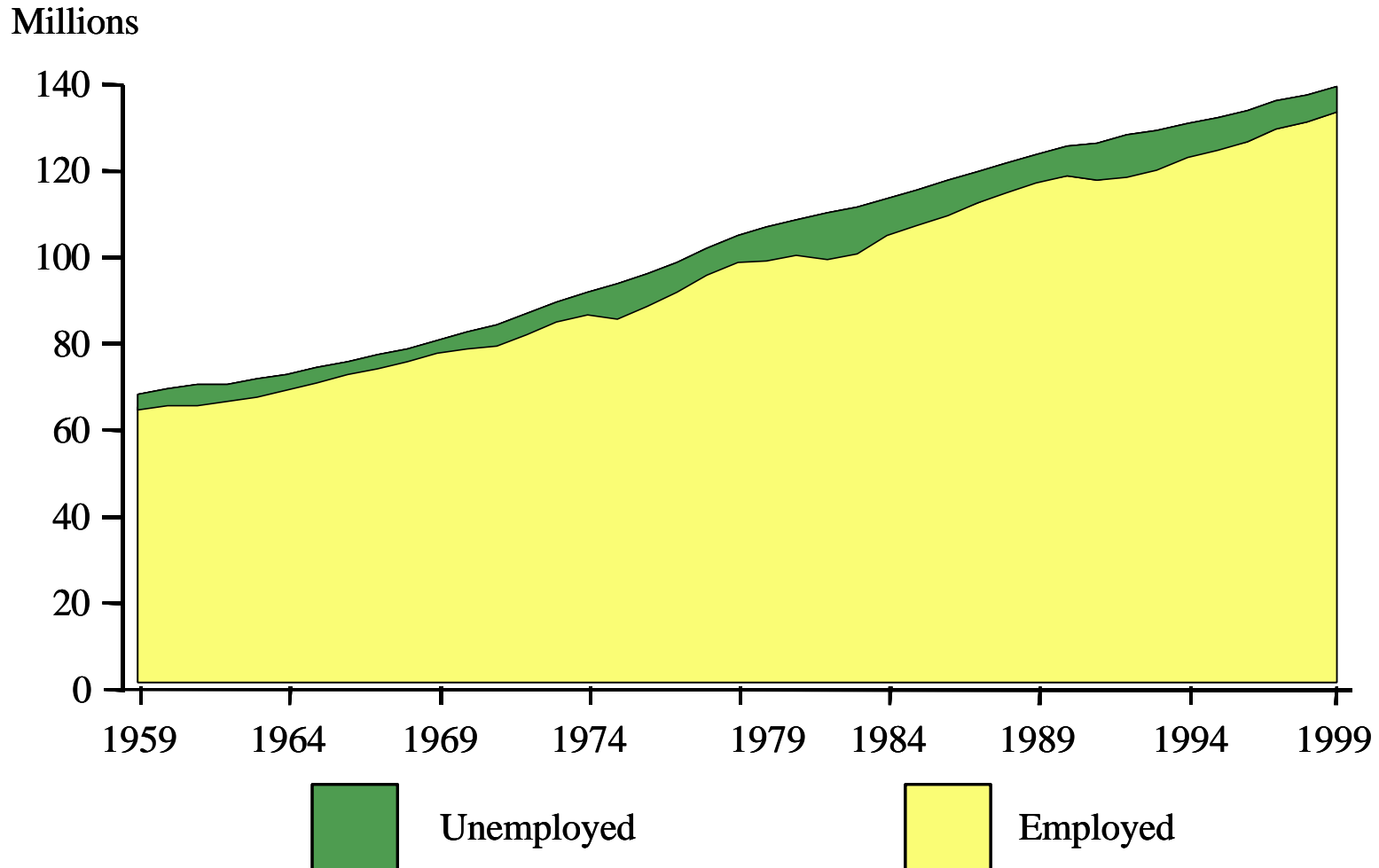


Civilian Noninstitutional Population



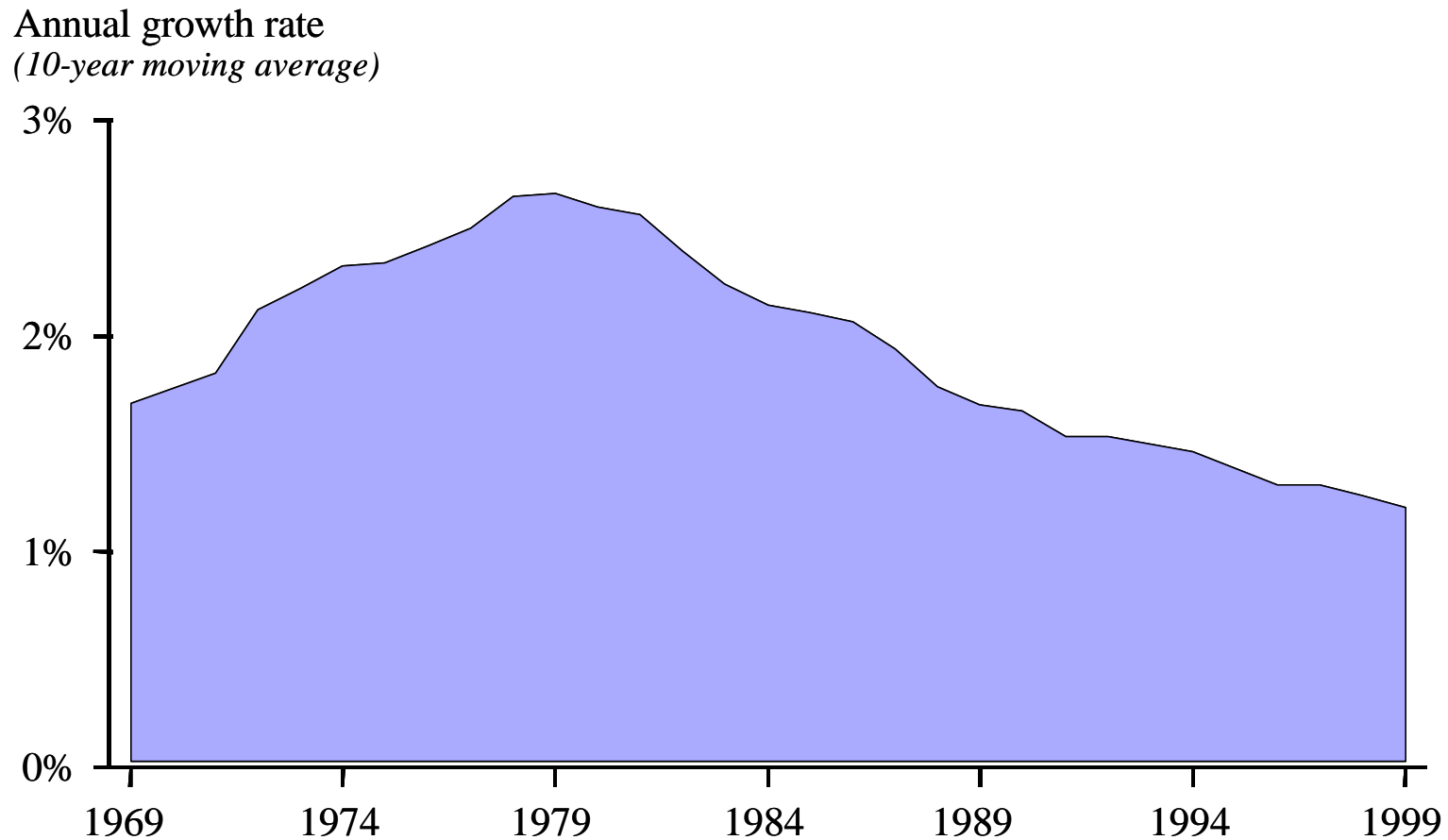
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The Labor Force Grew 104% From 1959 to 1999.

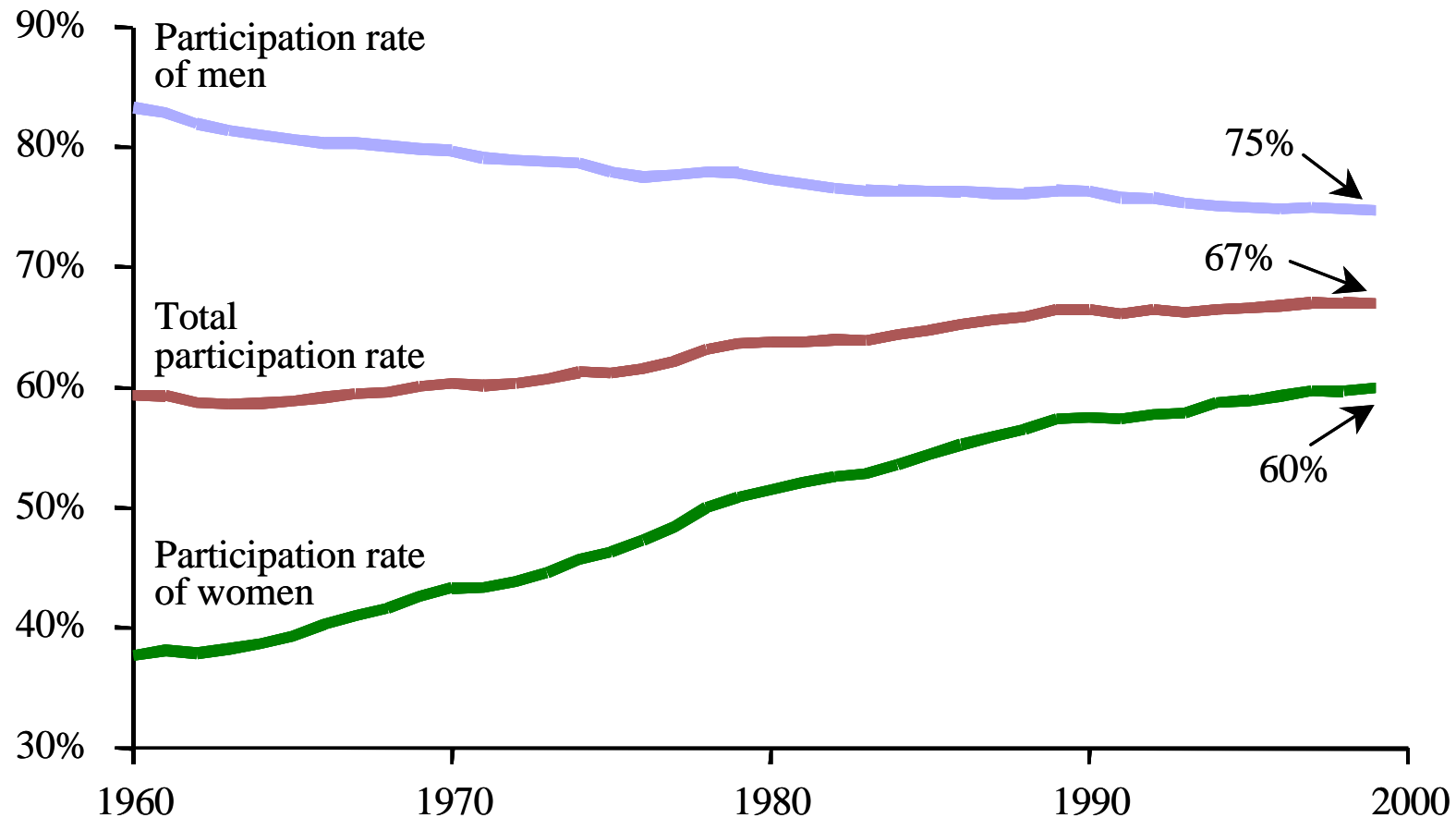


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The Labor Force is Growing More Slowly. This Lowers the Long-term Unemployment Rate.



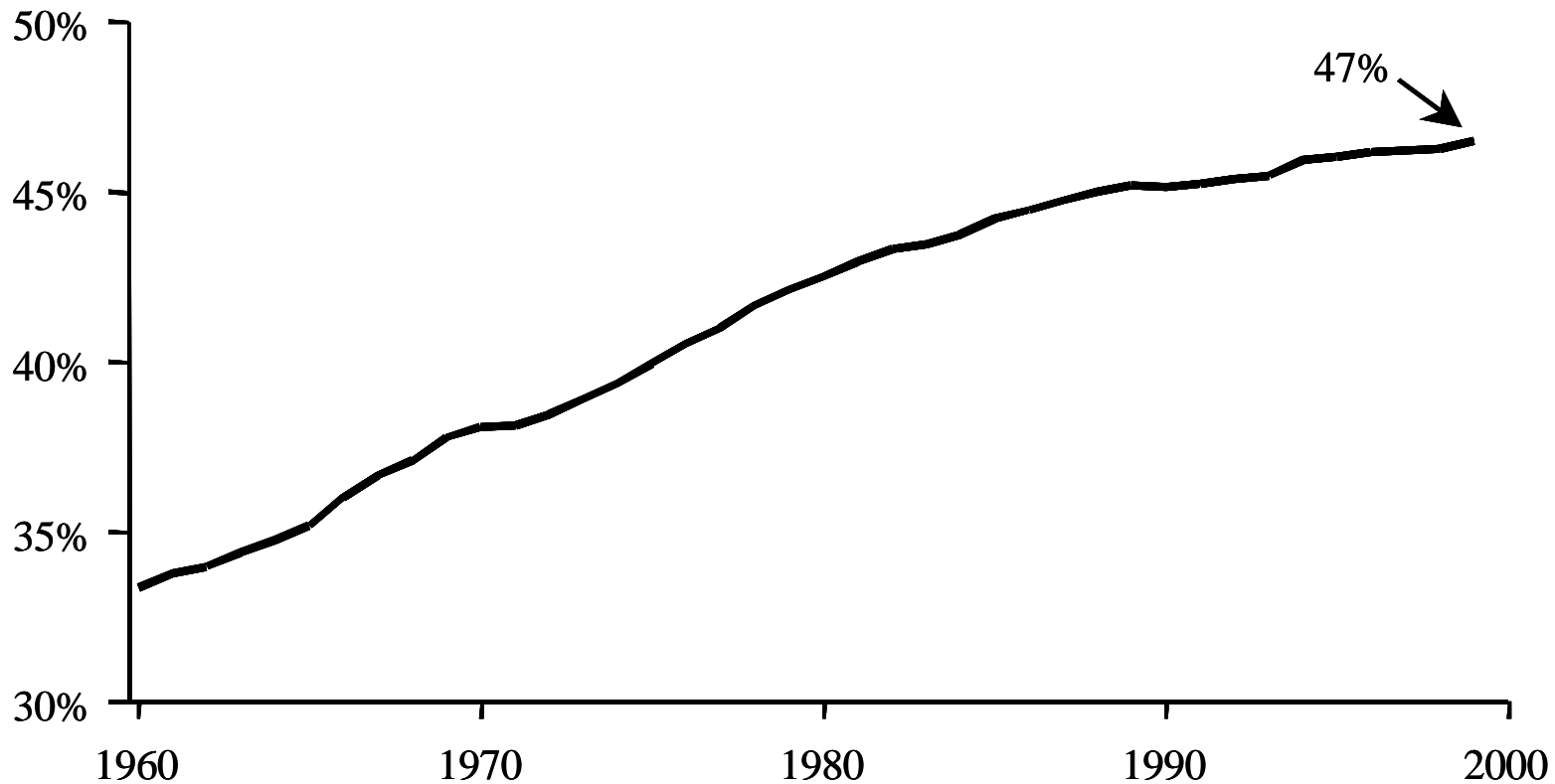
The Labor Force Participation Rate Has Been Increasing and the Rates for Men and Women are Converging.



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Today, Women Account for Nearly Half of the Labor Force, Up From a Third in 1960.

Women as a %
of the labor force



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Source: Based on data from Bureau of
Labor Statistics, 2000.

JOB CREATION & DESTRUCTION

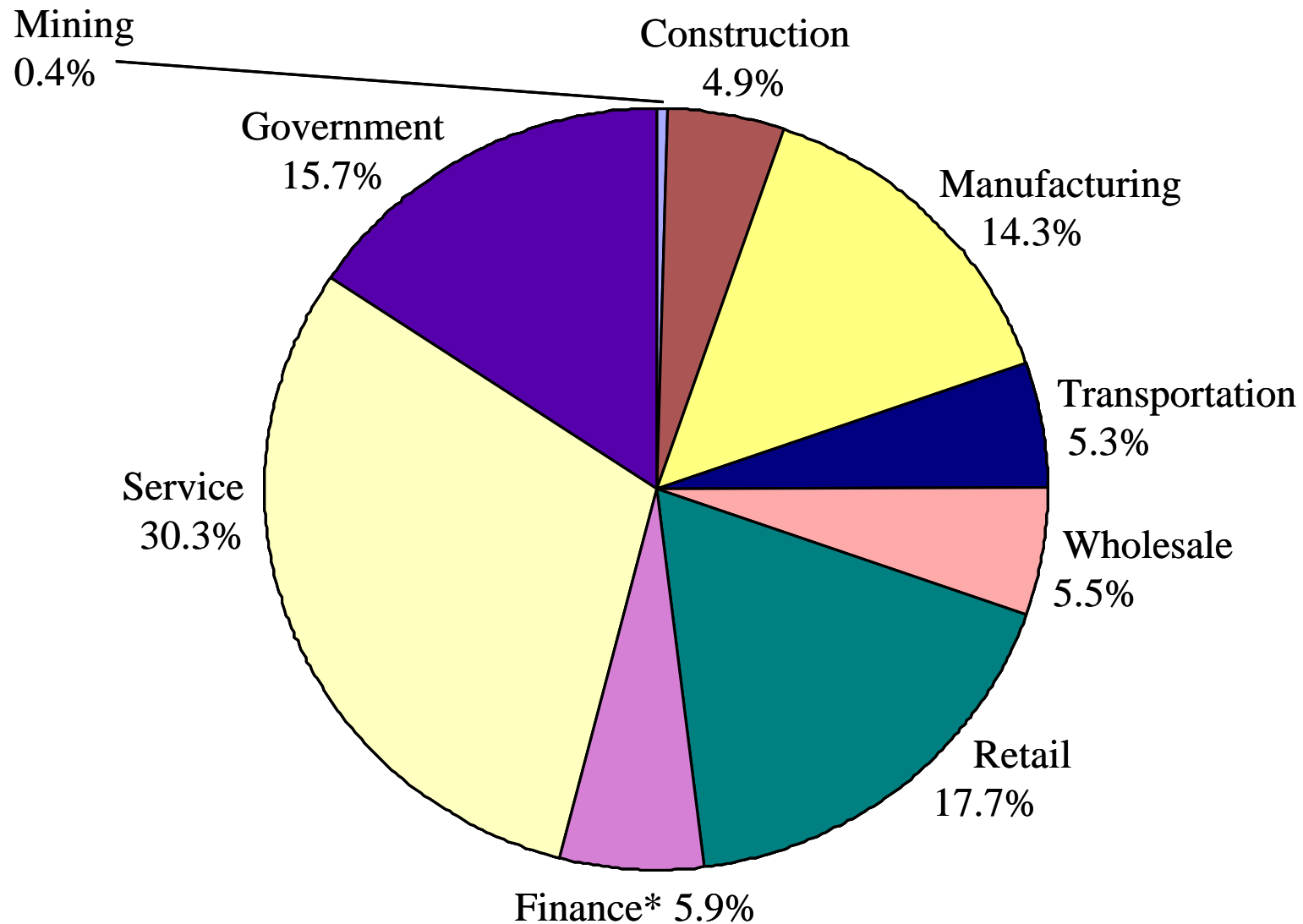
Through relentless turmoil, the economy re-creates itself, shifting labor resources to where they're needed, replacing old jobs with new ones.

C Michael Cox & Richard Alm, 1999

- i Through the process of “creative destruction” the economy constantly reshapes itself in response to the introduction of new products, changes in preferences, improvements in technology, and the introduction of innovative business methods. Driven by innovation and competition, creative destruction redirects resources throughout the economy to their most highly valued uses. Many industries expand, while others contract and sometimes become obsolete.
- i The service sector is highly diverse and includes occupations within the advertising, data management, hospital, and entertainment industries, among others. It includes jobs such as firemen, veterinarians, engineers, nurses, and policemen. The service sector has replaced manufacturing as the largest employer.
- i Over the past twenty years, employment growth in the service sector has accounted for 52% of total employment growth in the United States.
- i While manufacturing employment has been falling almost continuously as a share of the total since the mid-1950's, manufacturing productivity has increased and output has remained virtually constant as a share of the economy.

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Distribution of U.S. Employment, 1999



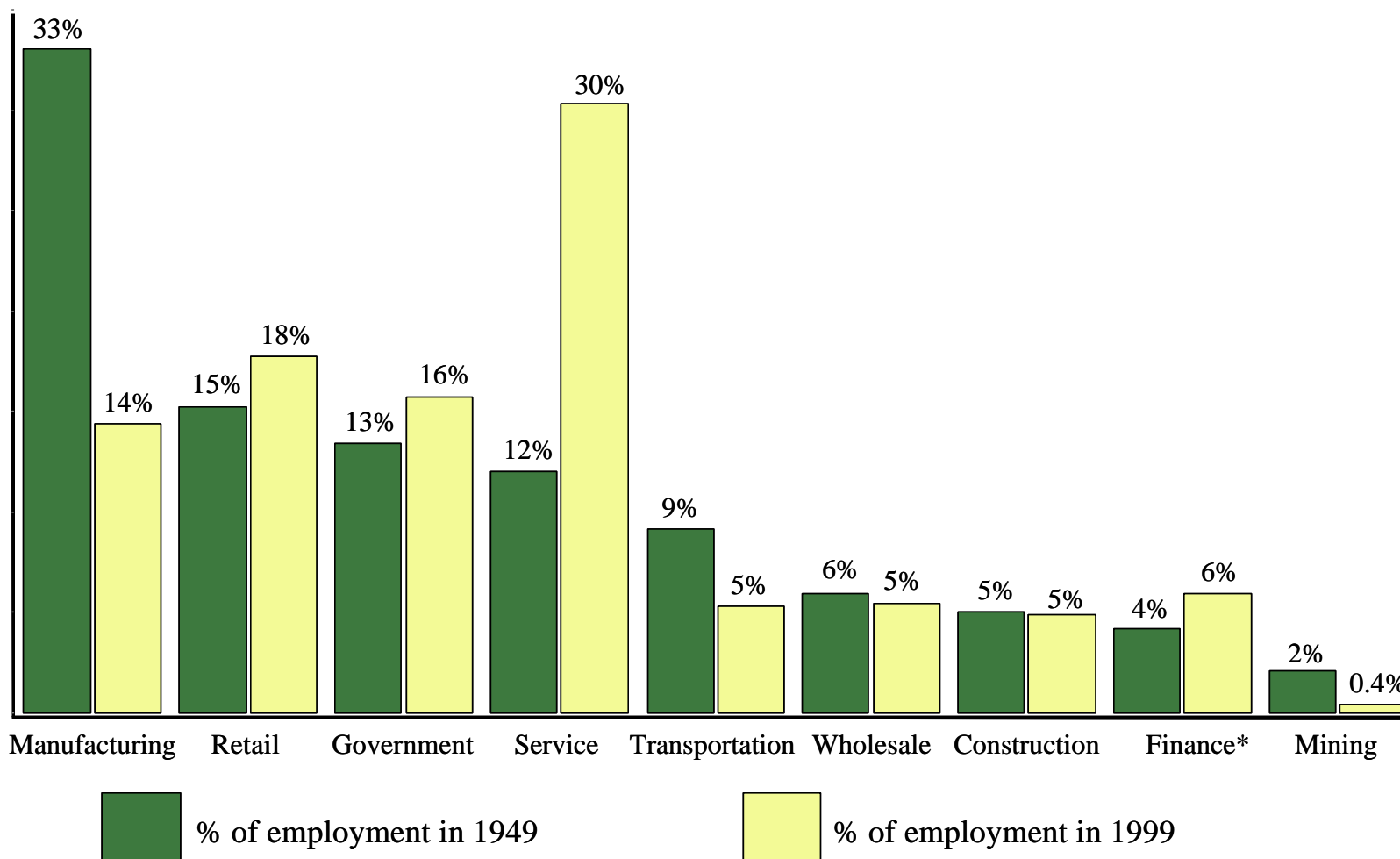
Note: *Finance is composed of Finance, Real Estate, and Insurance.

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Source: Bureau of Labor Statistics, 2000.

Where Americans Work 1949 & 1999

Share of
non-farm
employment



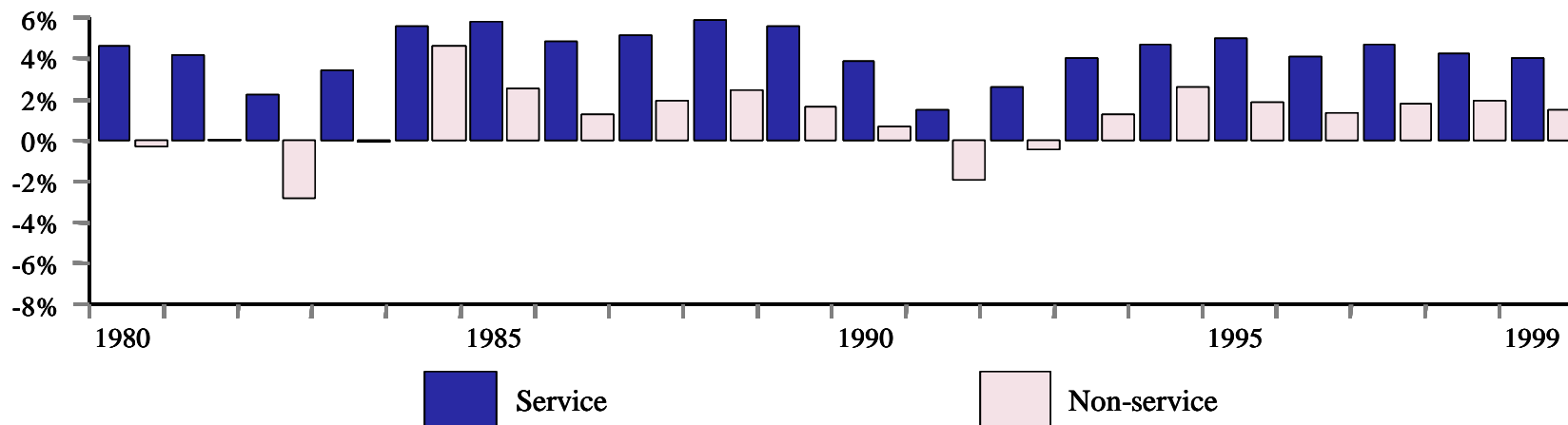
Note: *Finance is composed of Finance, Real Estate, and Insurance.

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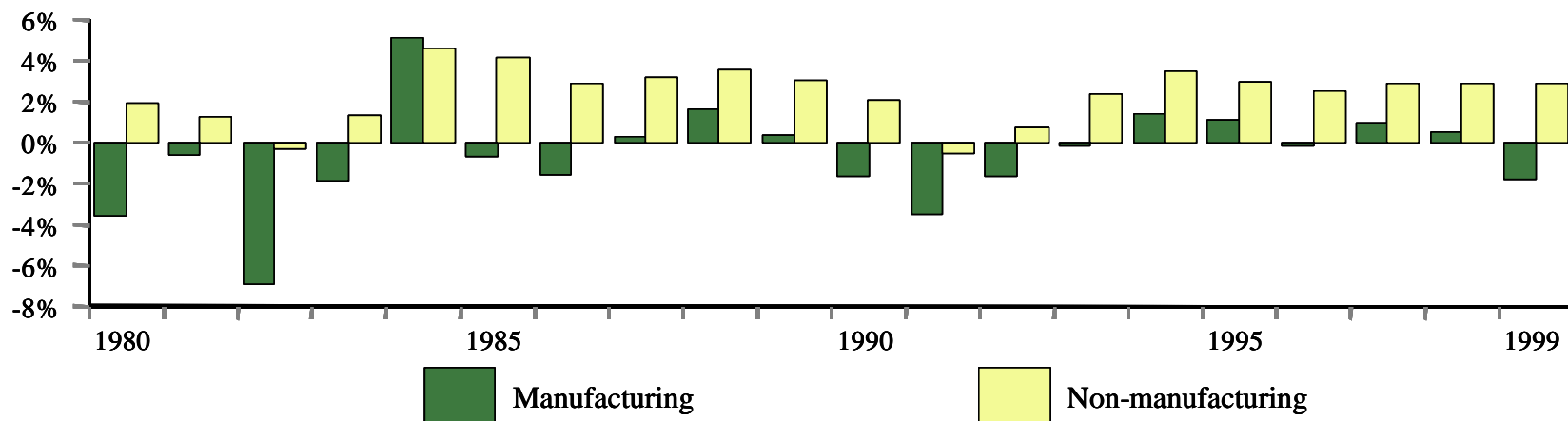
Source: Bureau of Labor Statistics, 2000.

Service Employment Has Persistently Grown; Manufacturing Employment Has Lagged.

Annual growth in
sector employment



Annual growth in
sector employment

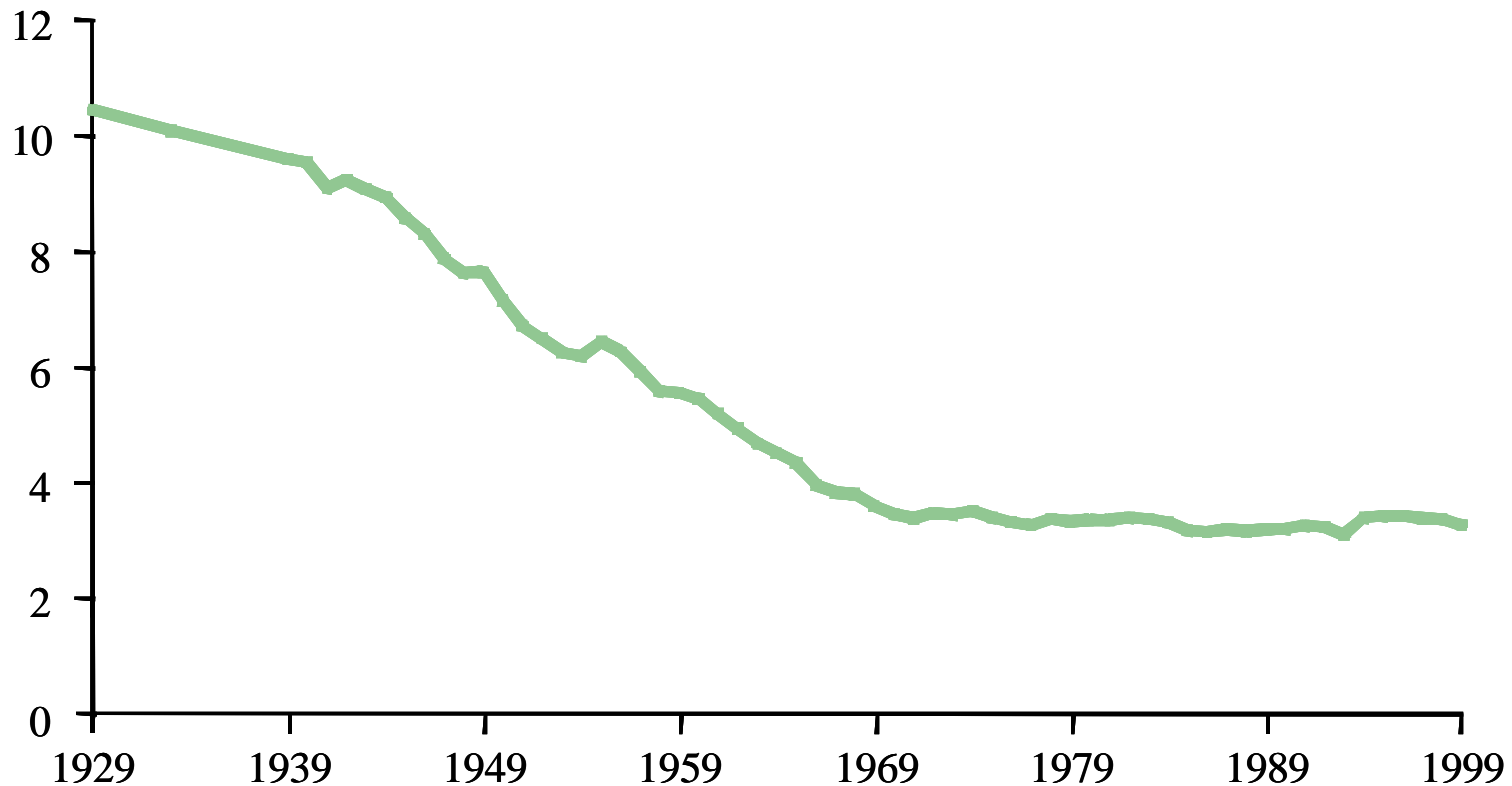


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Source: Based on data from Bureau of
Labor Statistics, 2000.

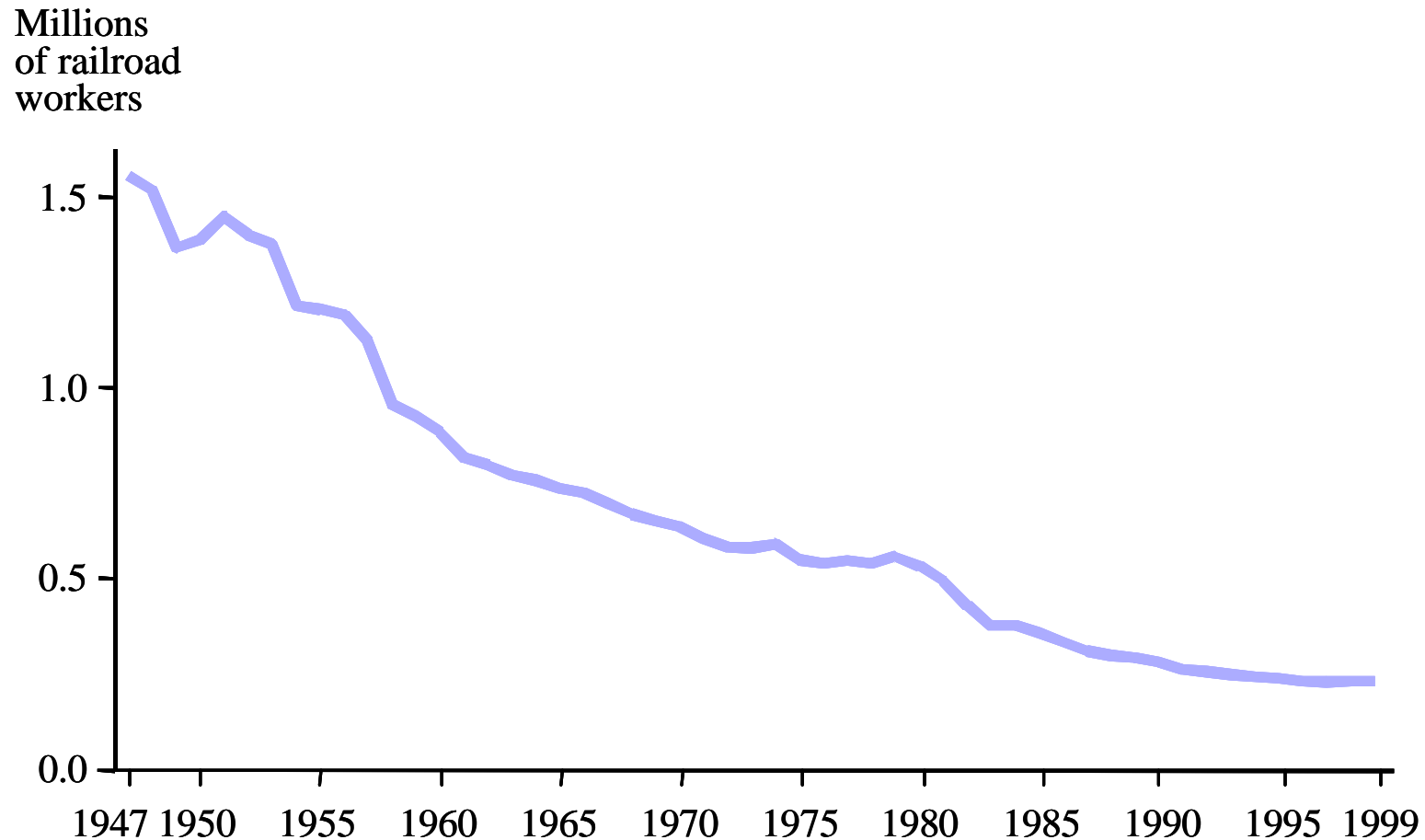
Creative Destruction: The number of workers required to produce America's agricultural output has declined.

Millions of
agricultural
workers



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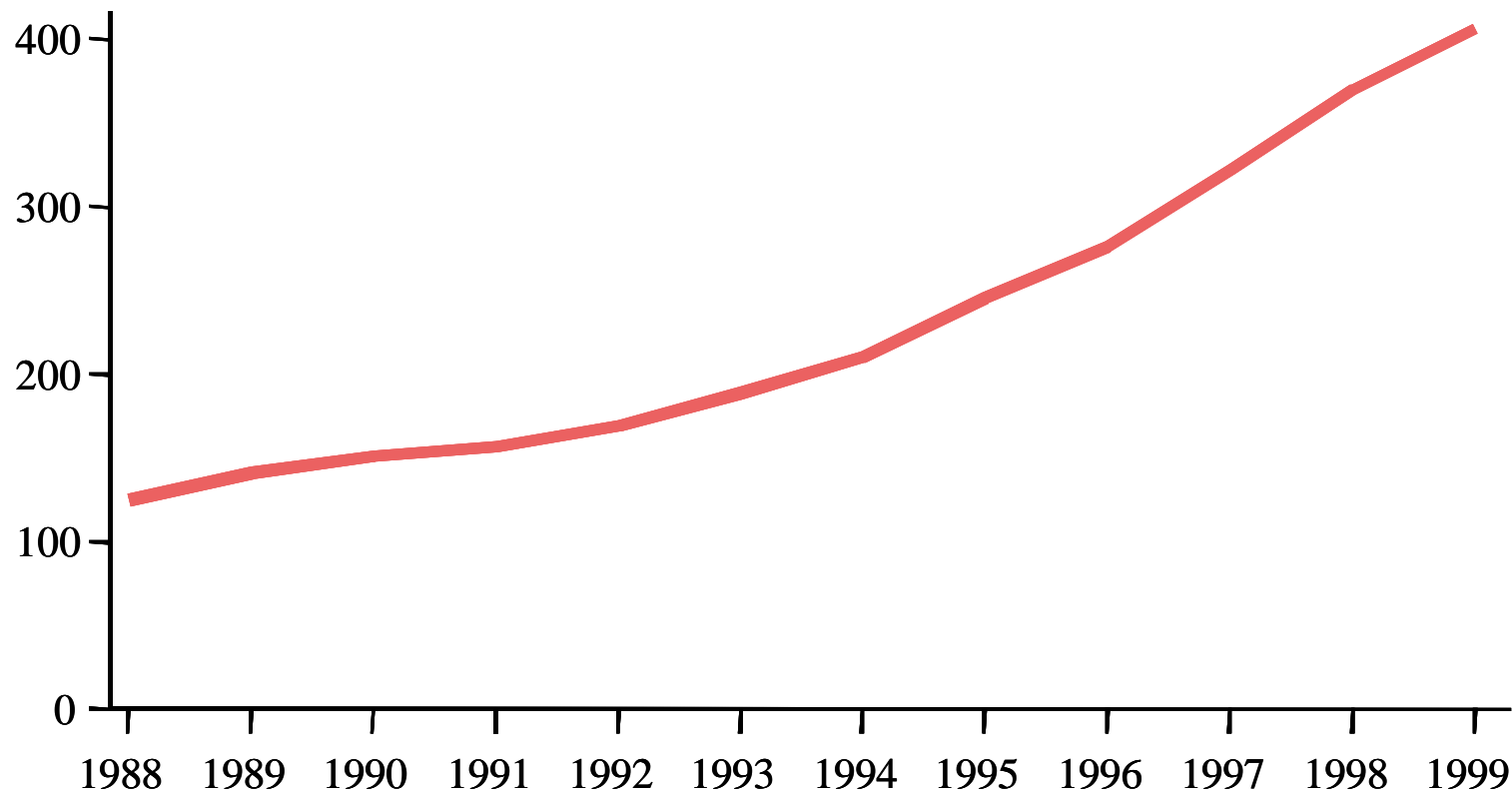
Creative Destruction: Innovation and the development of alternative modes of transportation have led to a reduction in the number of railroad workers.



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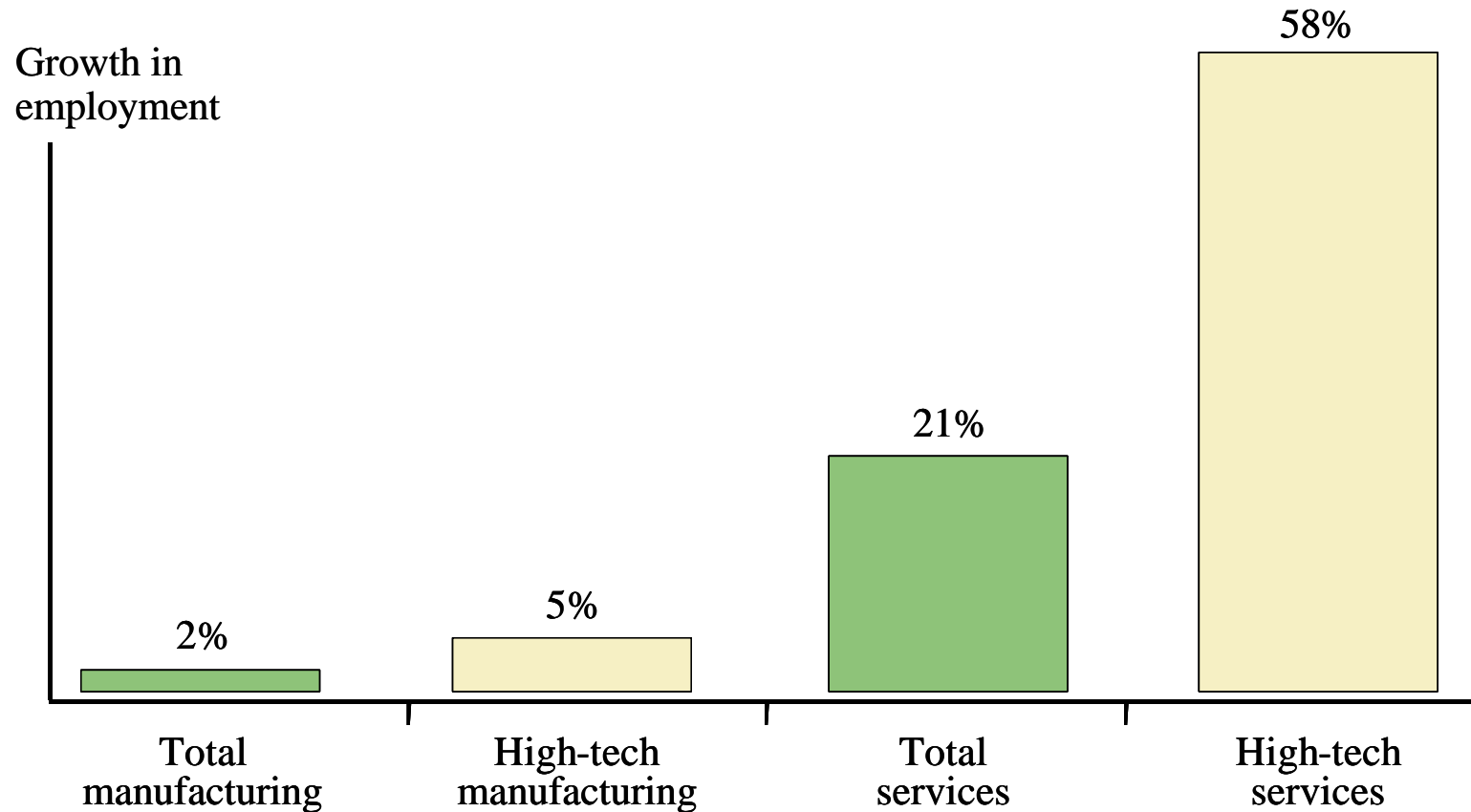
Creative Destruction: Innovation and opportunity are bringing employment growth for computer programmers.

Thousands
of computer
programmers



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High-tech Job Growth Has Outpaced Manufacturing and Services Job Growth. 1993 to 1999



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Sources: Based on data from American
Electronics Association;
Bureau of Labor Statistics, 2000.

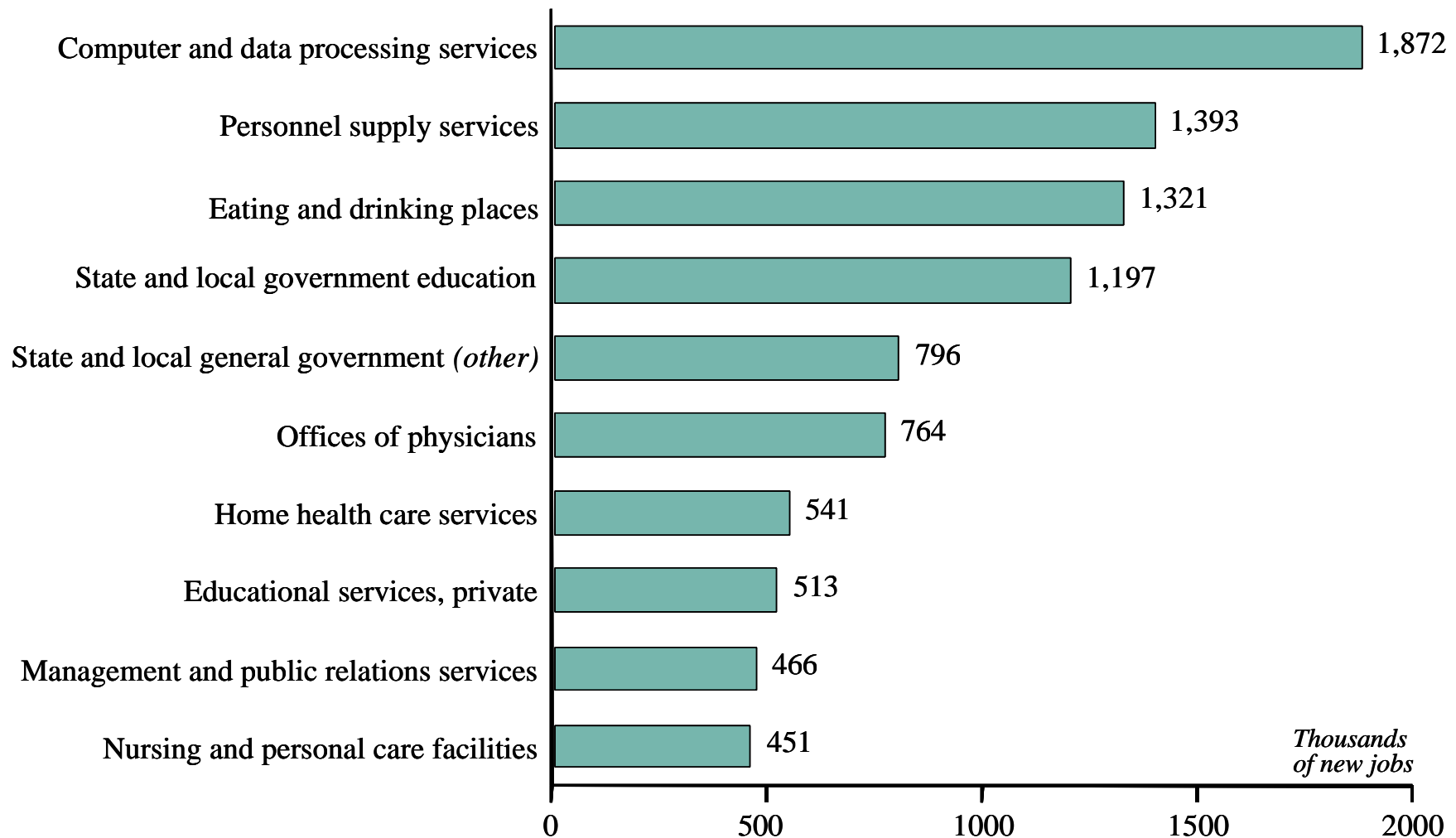
Top Fifteen Occupations in the United States, 1900 & 1997

	1900	% of Employment	1997	% of Employment
#1	Farmers	19.5%	Retail salespeople	5.3%
#2	Agricultural laborers	15.2%	Teachers	3.7%
#3	General laborers	8.9%	Secretaries	2.8%
#4	Servants	5.0%	Truck drivers	2.4%
#5	Merchants	2.7%	Financial salespeople	2.0%
#6	Clerks	2.2%	Janitors and cleaners	1.7%
#7	Salespeople	2.1%	Farmers and farm managers	1.7%
#8	Carpenters	2.1%	Cooks	1.6%
#9	Railroad workers	2.0%	Nurses	1.6%
#10	Miners	1.9%	Engineers	1.6%
#11	Teamsters/coachmen	1.9%	Freight and stock handlers	1.5%
#12	Teachers	1.5%	Vehicle mechanics and repairers	1.5%
#13	Launderers	1.3%	Police and guards	1.5%
#14	Dressmakers	1.2%	Nursing aides and orderlies	1.4%
#15	Iron and steel workers	1.0%	Bookkeepers	1.3%
	SUM of Top 15 Occupations	68.4%	SUM of Top 15 Occupations	31.7%

Source: *Myths of Rich & Poor*, Cox & Alm, 1999.

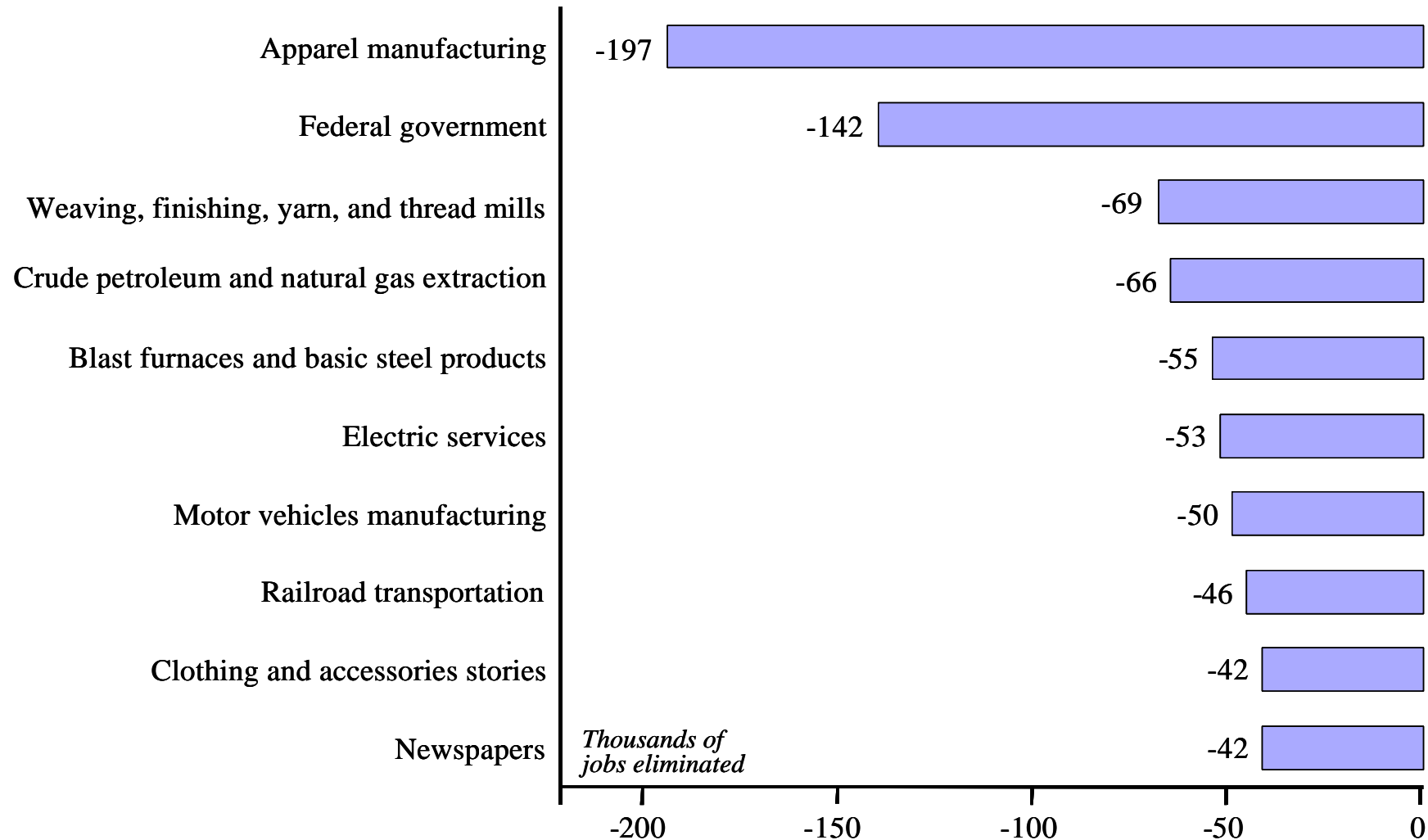
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Top Ten Industries Projected to Gain the Largest Number of Jobs, 1998 to 2008



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Top Ten Industries Projected to Lose the Largest Number of Jobs, 1998 to 2008



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As a Result of Productivity Gains, Output in Several Major Industries Has Expanded Even Though Employment Has Fallen.

Industry	Employment in 1970	Employment in 1995	Reduction in employment 1970-95	Increase in output 1970-95	Increase in productivity per worker
Railroad transport	633,800	238,400	-62.4%	29%	244%
Steel	627,000	241,600	-61.5%	15%	197%
Textiles	974,800	663,200	-32.0%	62%	138%
Agriculture	3,463,000	3,440,000	-0.7%	132%	134%
Apparel	1,363,800	935,800	-31.4%	55%	126%
Coal mining	145,100	104,400	-28.1%	59%	121%
Manufacturing	19,367,000	18,524,000	-4.4%	100%	110%

Source: *Myths of Rich & Poor*, Cox & Alm, 1999.

GOVERNMENT EMPLOYMENT

“The taxpayer C that’s someone who works for the federal government but doesn’t have to take a civil service examination.”

C Ronald Reagan, 1976

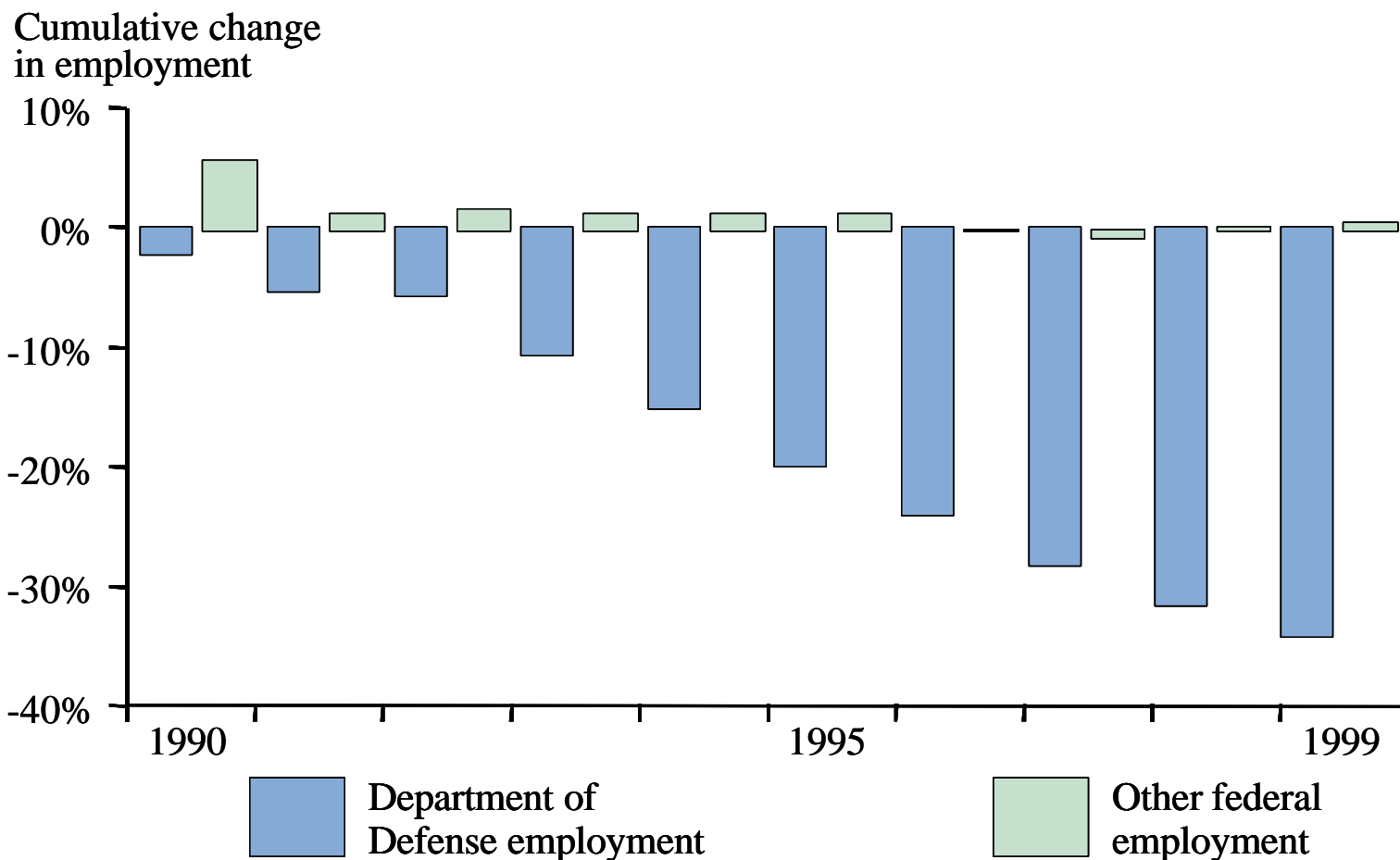
- i Today, more than 20 million Americans work for some level of the government—federal, state, or local.
- i Nearly two-thirds of all government employees work for local governments. State governments account for a little more than 20% of the total. Contrary to popular belief, the federal government accounts for the smallest share of government employment—less than 14%.
- i During the 1990’s, government employment grew 13.4%. Federal employment fell 10.7%, while state and local employment grew 18.3%.
- i During the last decade, federal civilian employment fell by 319,000. This reduction is entirely due to defense. Civilian employment in defense decreased 333,100 while non-defense increased 14,100.
- i Government employment has grown dramatically throughout much of the 20th century—surpassing manufacturing employment in 1992.

Government Employment During the Last Decade

	1989 Average	1999 Average	Change	Percentage Change
Federal	2,987,600	2,668,600	-319,000	-10.7%
Executive Branch	2,928,300	2,606,700	-321,600	-11.0%
Department of Defense (civilian)	973,400	640,300	-333,100	-34.2%
Postal Service	832,200	872,500	40,300	4.8%
Other	1,122,700	1,093,900	-28,800	-2.6%
Legislative Branch	37,900	30,400	-7,500	-19.8%
Judicial Branch	21,400	31,500	10,100	47.2%
State	4,181,900	4,695,400	513,500	12.3%
Local	10,609,200	12,796,200	2,187,000	20.6%
TOTAL	17,778,700	20,160,200	2,381,500	13.4%

Source: Bureau of Labor Statistics, 2000.

During the Last Decade, Federal Employment Has Fallen Due to Reductions at the Defense Department. Non-Defense Employment Has Increased.



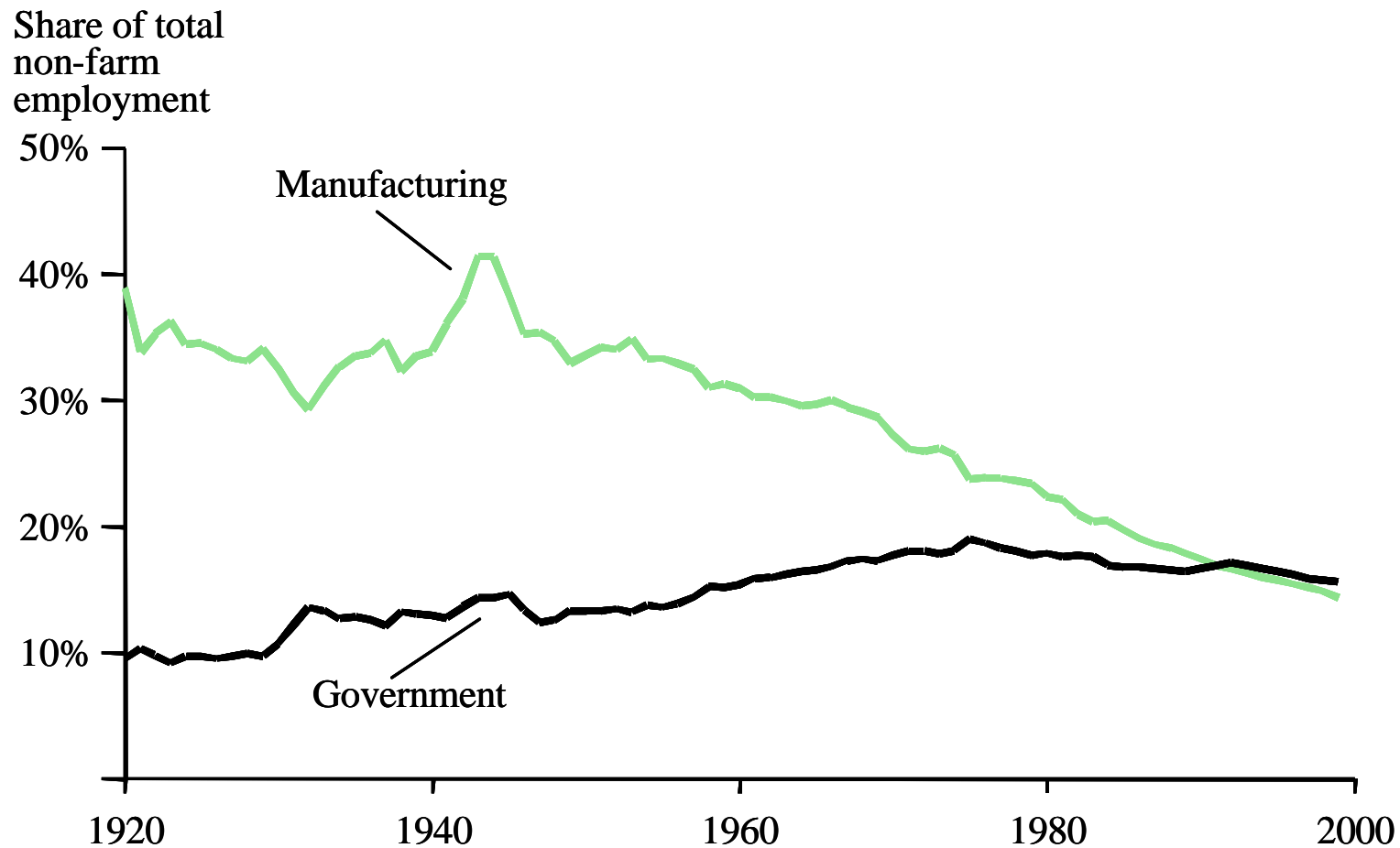
Note: 'Other federal employment' for 1990 includes temporary U.S. Census workers.

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Source: Based on Bureau of Labor Statistics, 2000.

Government Employment Surpassed Manufacturing Employment in 1992.



UNEMPLOYMENT

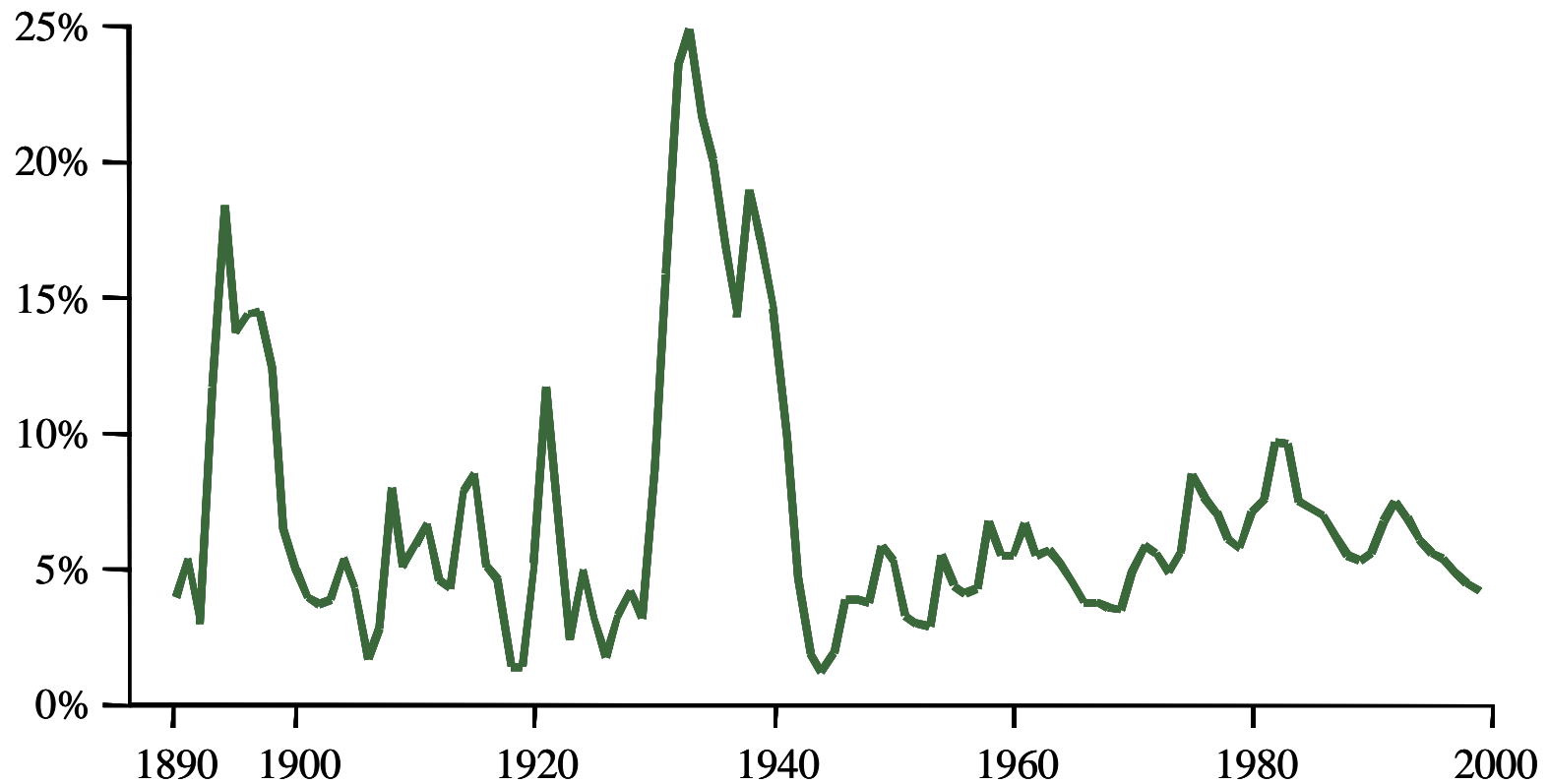
It's a recession when your neighbor loses his job; it's a depression when you lose your own.@

C Harry S. Truman, 1958

- i Having fallen for each of the past seven years, the unemployment rate fell to 3.9% in April 2000—the lowest rate since 1970.
- i The unemployment rate was substantially more volatile in the first half of the 20th century.
- i Unemployment rates vary significantly by age, race, and education. The unemployment rate is generally higher for younger people, minorities, and those with less education. Notably, unemployment rates for both blacks and Hispanics fell to record lows in April 2000.
- i The unemployment rates of men and women tend to move together. There has been little disparity between the two during the last two decades.
- i Most unemployed people are unemployed for a relatively short time. The mean and median durations of unemployment, however, have trended upwards for the past few decades.
- i Unemployment rises whenever the labor force grows more rapidly than employment. Other things equal, it is easier to reduce the unemployment rate when the labor force is growing more slowly.
- i From 1992 to 1999, the unemployed population declined in every state except Hawaii, Nebraska, and South Dakota. Some states (most especially Arizona and Nevada) reduced unemployment by creating new jobs. Other states (most especially Connecticut and Rhode Island) reduced unemployment primarily through reductions in the labor force.

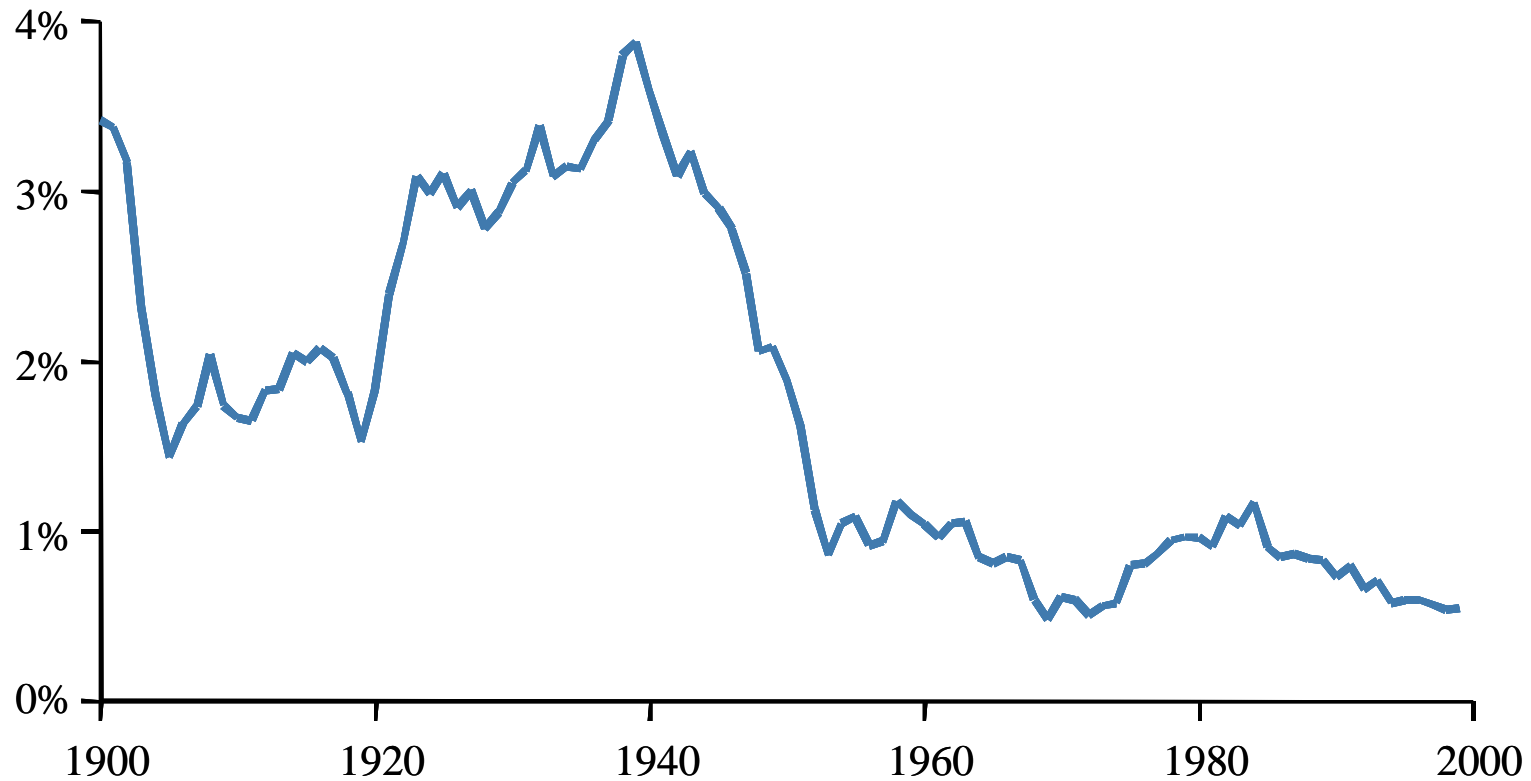
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The Unemployment Rate 1890 to 1999



Unemployment Rate Volatility 1900 to 1999

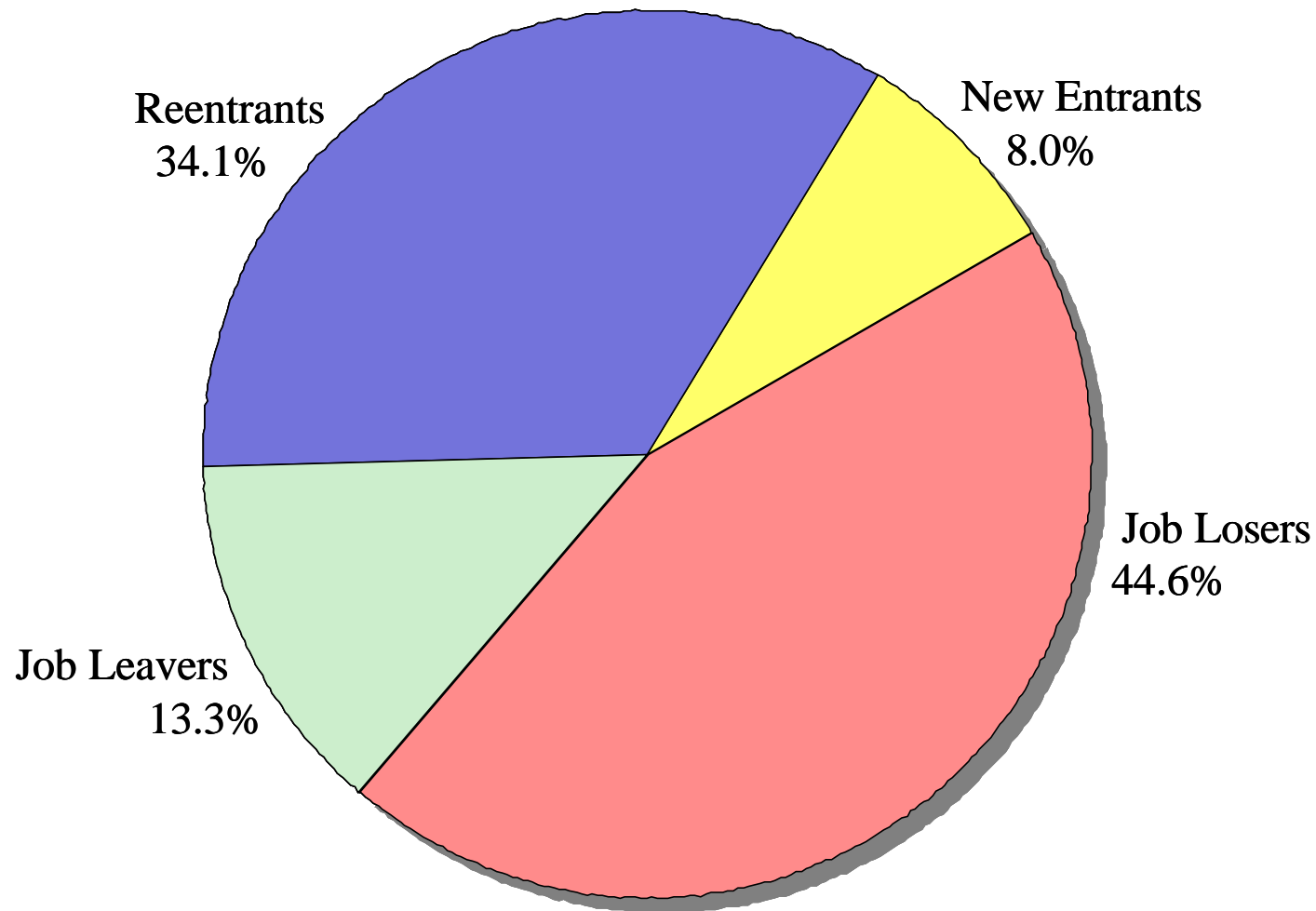
Absolute change in
unemployment rate
(10-year moving average)



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Source: Based on data from Bureau of
Labor Statistics, 2000.

Reason for Unemployment 1999

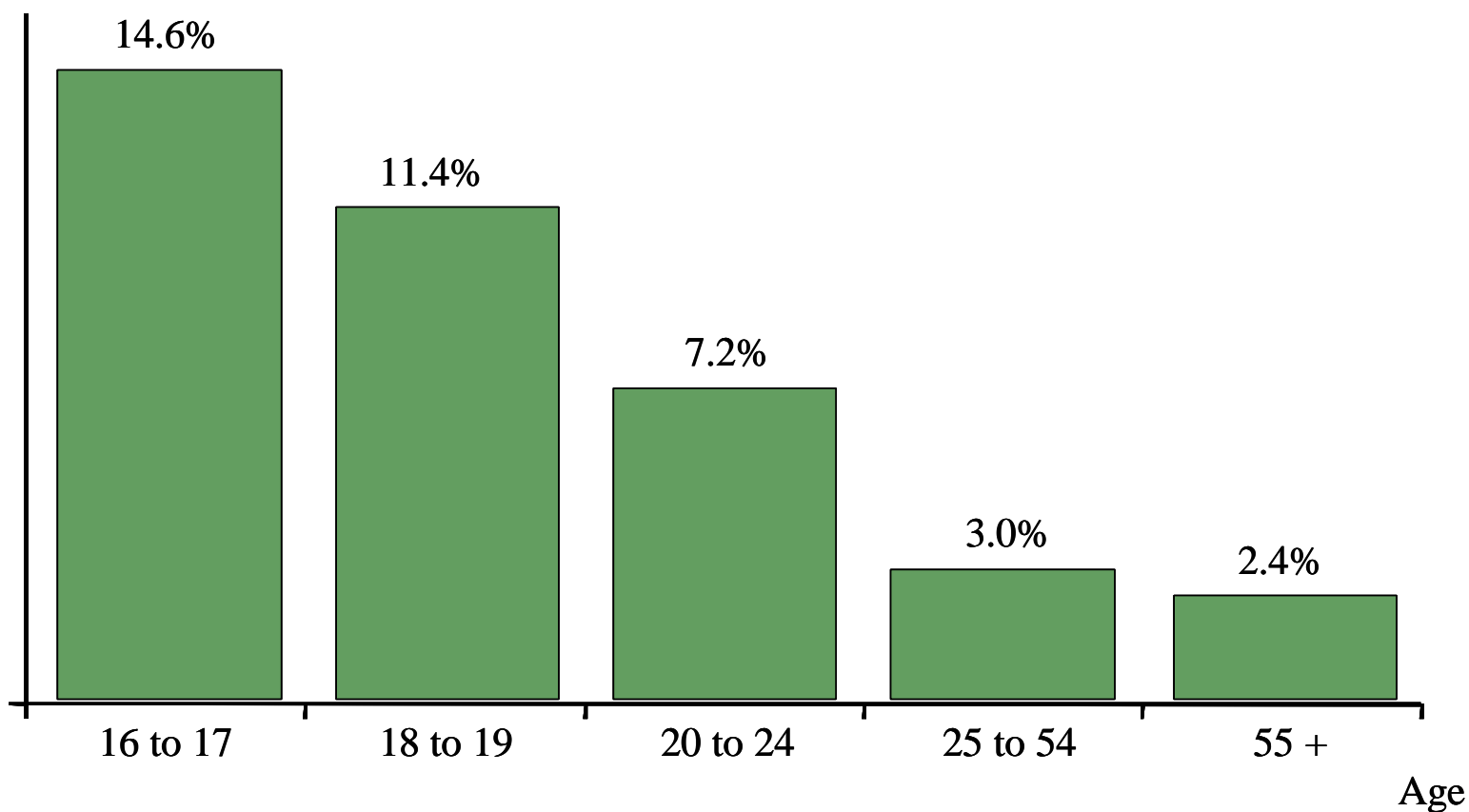


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Unemployment Rates Vary by Age.

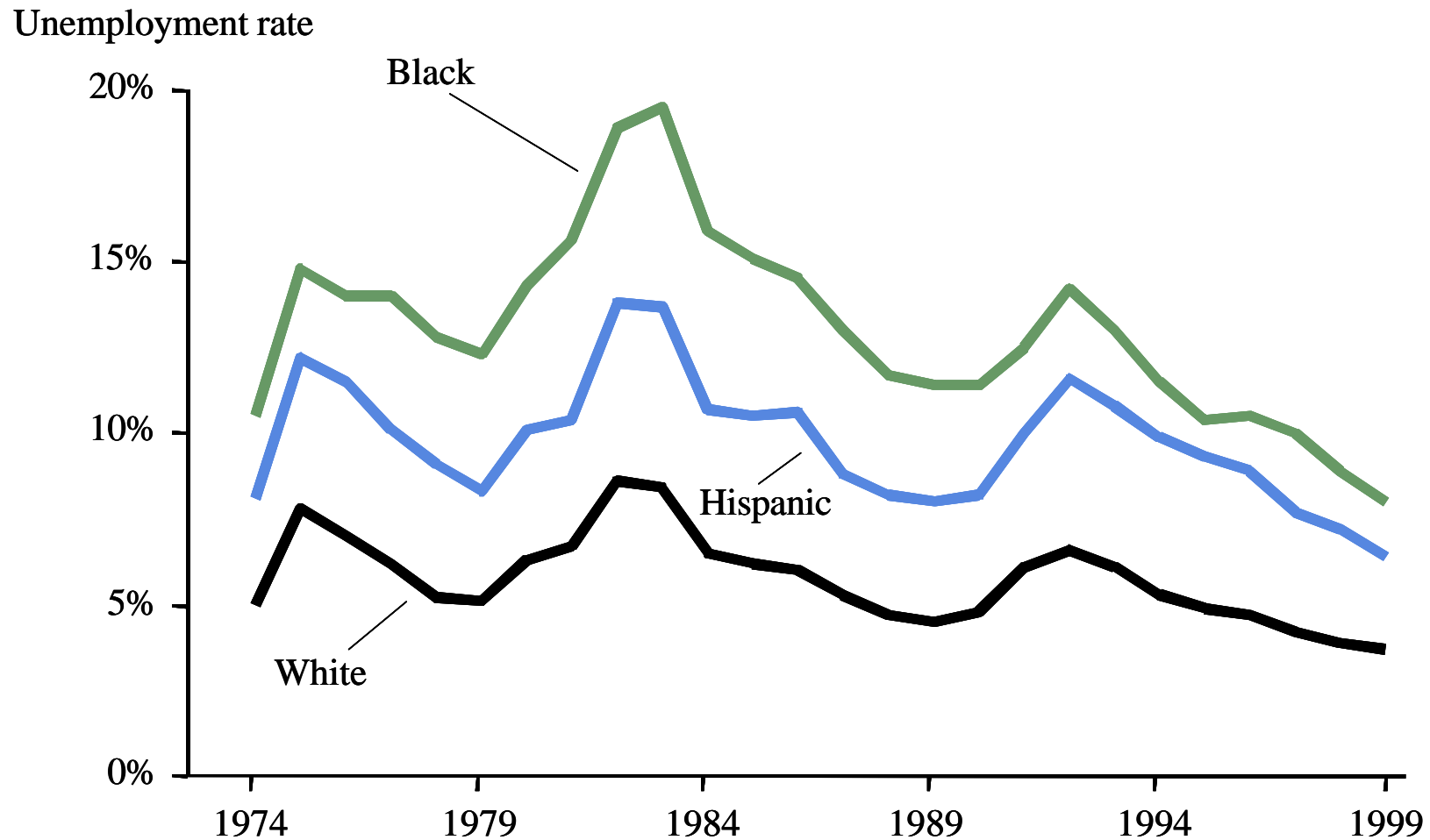
April 2000

Unemployment rate



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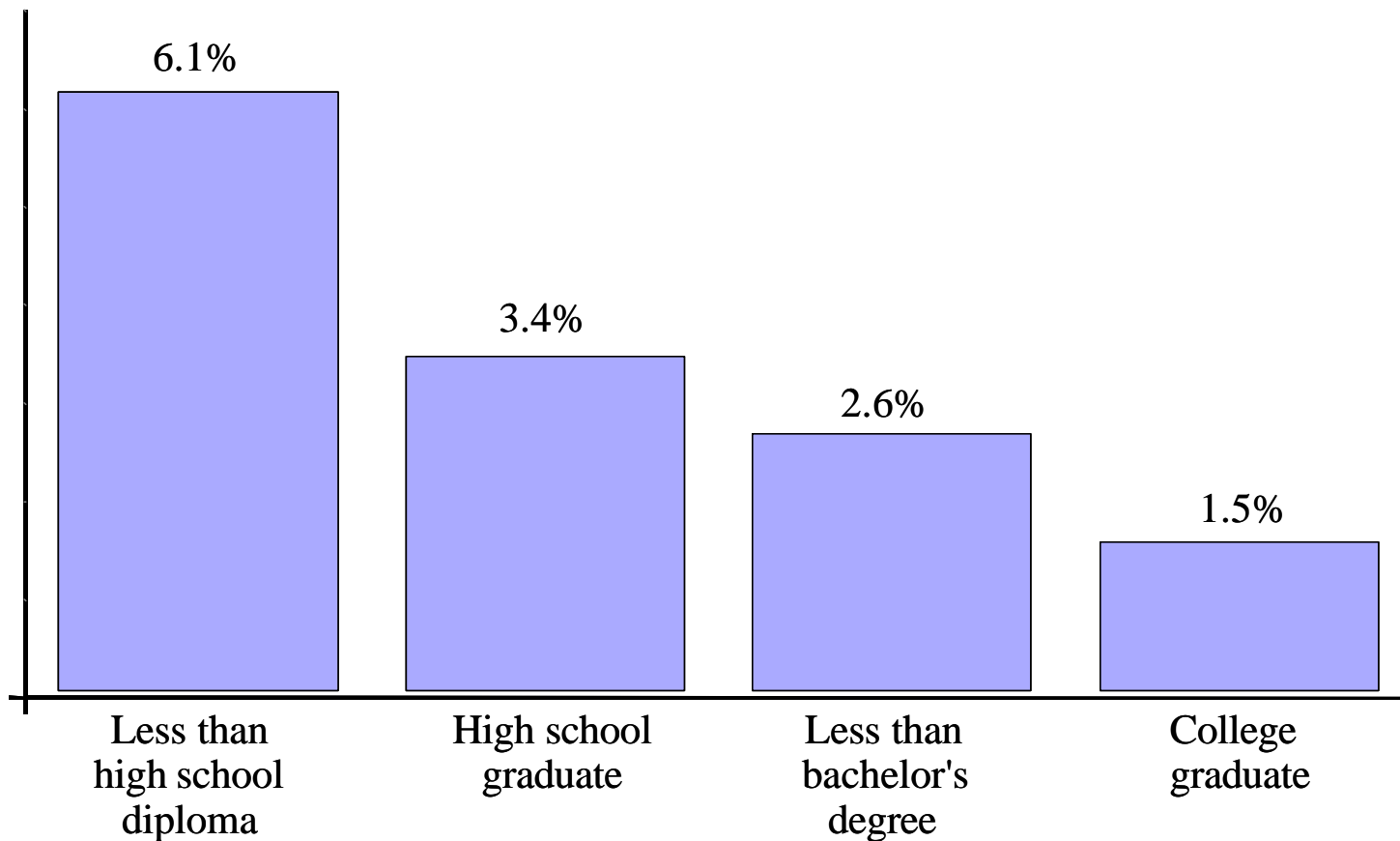
Unemployment Rates Vary by Race. 1974 to 1999



Unemployment Rates Vary by Education.

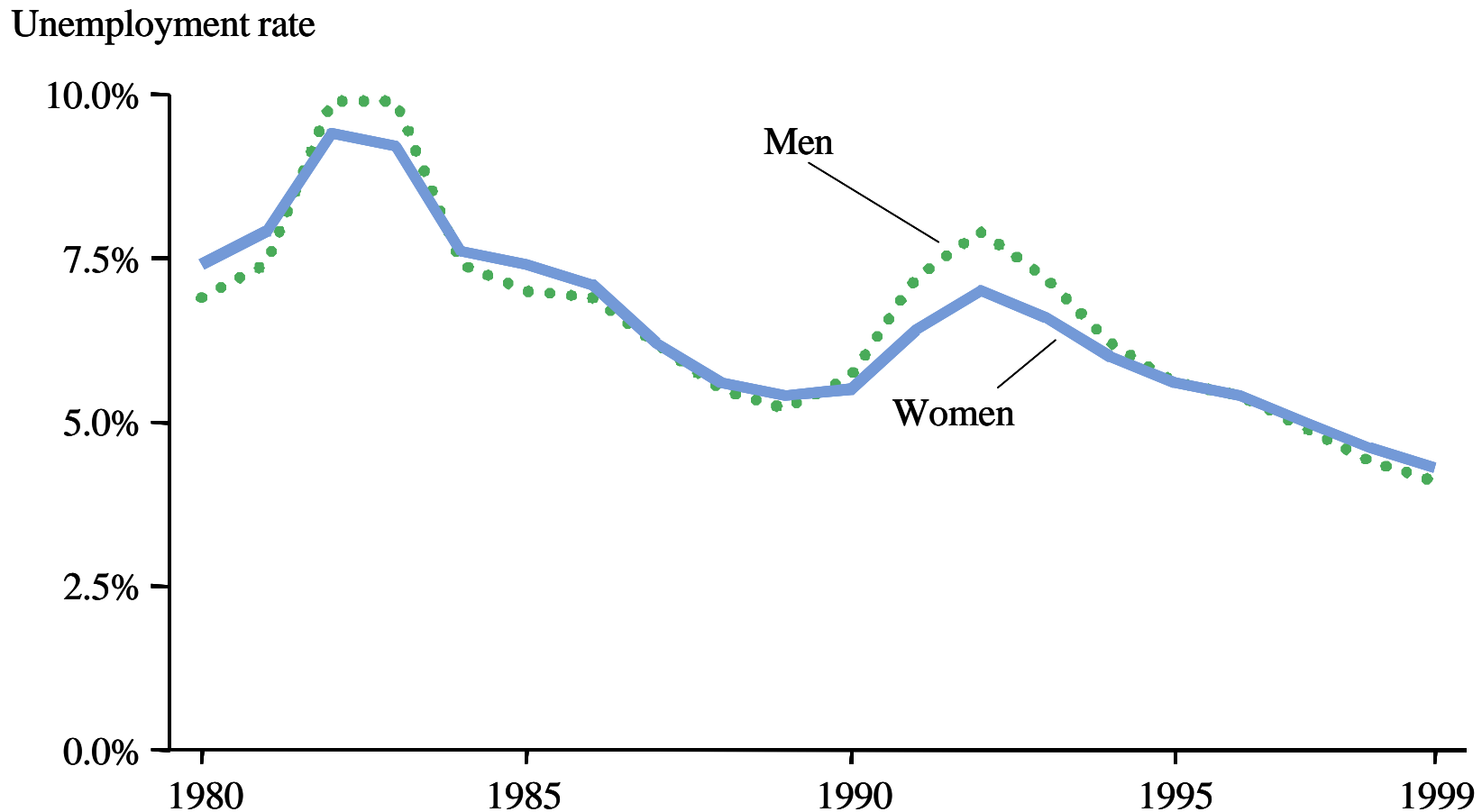
April 2000

Unemployment rate



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The Unemployment Rates of Men and Women Have Been Approximately the Same Over the Past Two Decades.



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Certain States Have Been More Successful At Reducing Unemployment than Other States.

Rank	State	Change in Unemployed Population	Unemployment Rate	
		1992 to 1999	1992	1999
1	Connecticut	-61.5%	7.6%	3.2%
2	Massachusetts	-61.1%	8.6%	3.2%
3	New Hampshire	-60.6%	7.5%	2.7%
4	Rhode Island	-55.5%	9.0%	4.1%
5	Virginia	-55.3%	6.4%	2.8%
6	Michigan	-53.5%	8.9%	3.8%
7	Vermont	-50.7%	6.7%	3.0%
8	Indiana	-50.5%	6.6%	3.0%
9	Florida	-47.7%	8.3%	3.9%
10	Maryland	-45.3%	6.7%	3.5%

Source: Based on data from Bureau of Labor Statistics, 2000.

There Are Only Two Ways to Reduce Unemployment: Create New Jobs or Shrink the Labor Force.

Creating New Jobs

Top three states with gain in employment since 1992	Change in labor force 1992-99	Change in employment 1992-99	Change in unemployed population 1992-99
Arizona	30.5%	35.0%	-12.1%
Nevada	31.9%	35.0%	-24.8%
Colorado	24.4%	28.5%	-6.6%

Shrinking the Labor Force

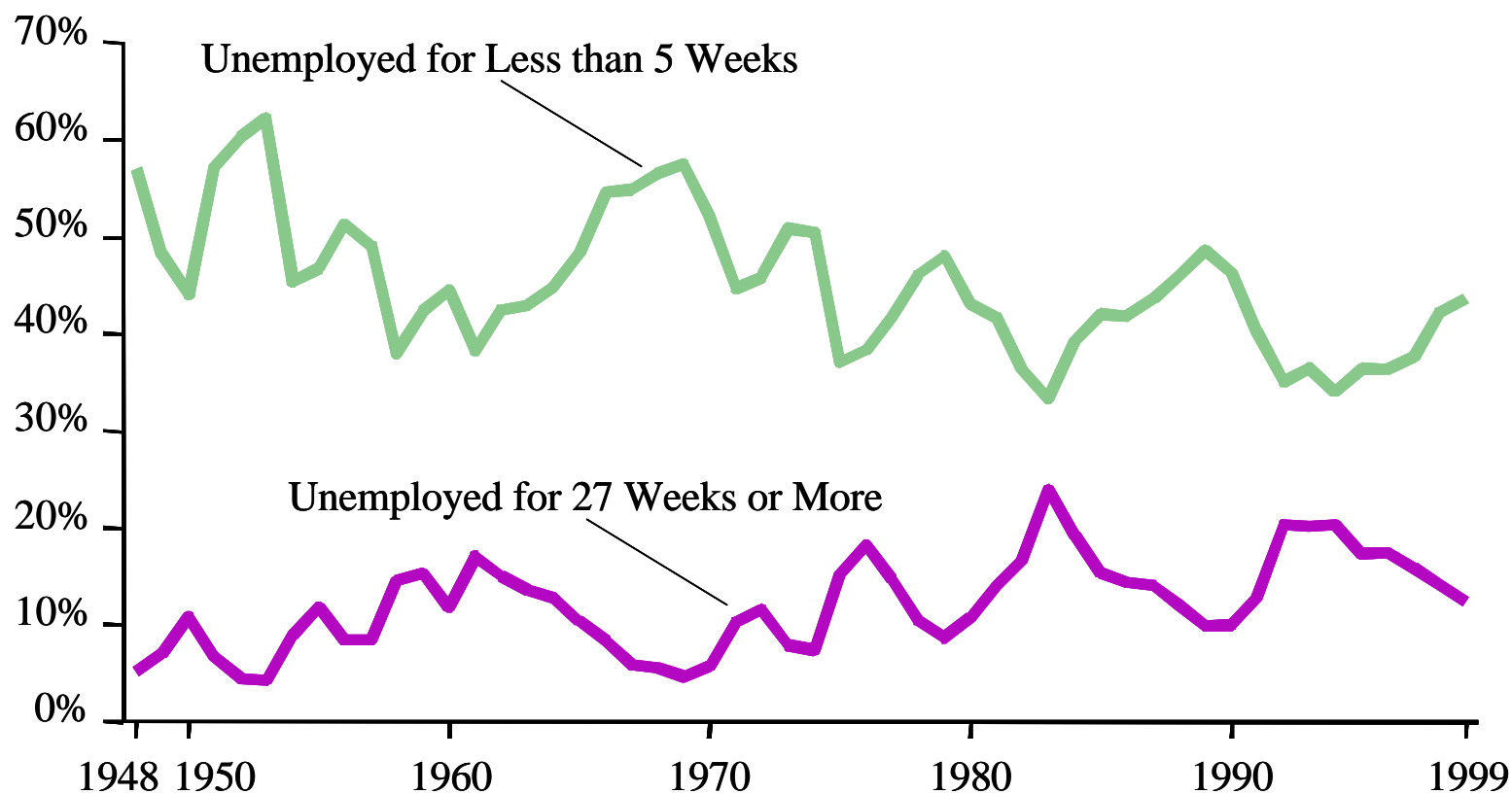
Top three states with loss of labor force since 1992	Change in labor force 1992-99	Change in employment 1992-99	Change in unemployed population 1992-99
District of Columbia*	-9.0%	-6.8%	-33.3%
Connecticut	-7.0%	-2.5%	-61.5%
Rhode Island	-3.3%	1.8%	-55.5%

Note: *The District of Columbia is not a state.

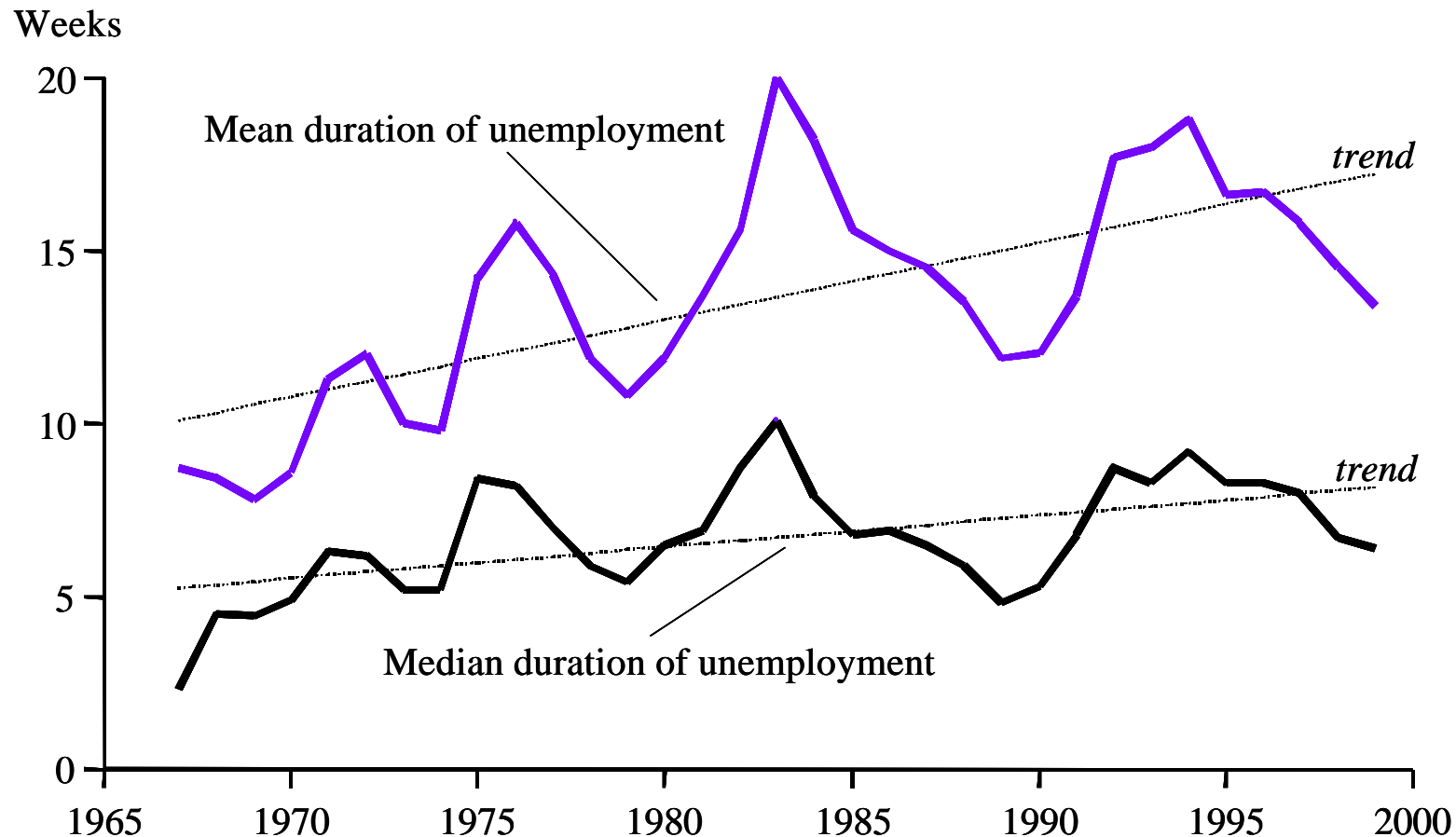
Source: Based on data from Bureau of Labor Statistics, 2000.

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Most People are Unemployed for a Relatively Short Time.

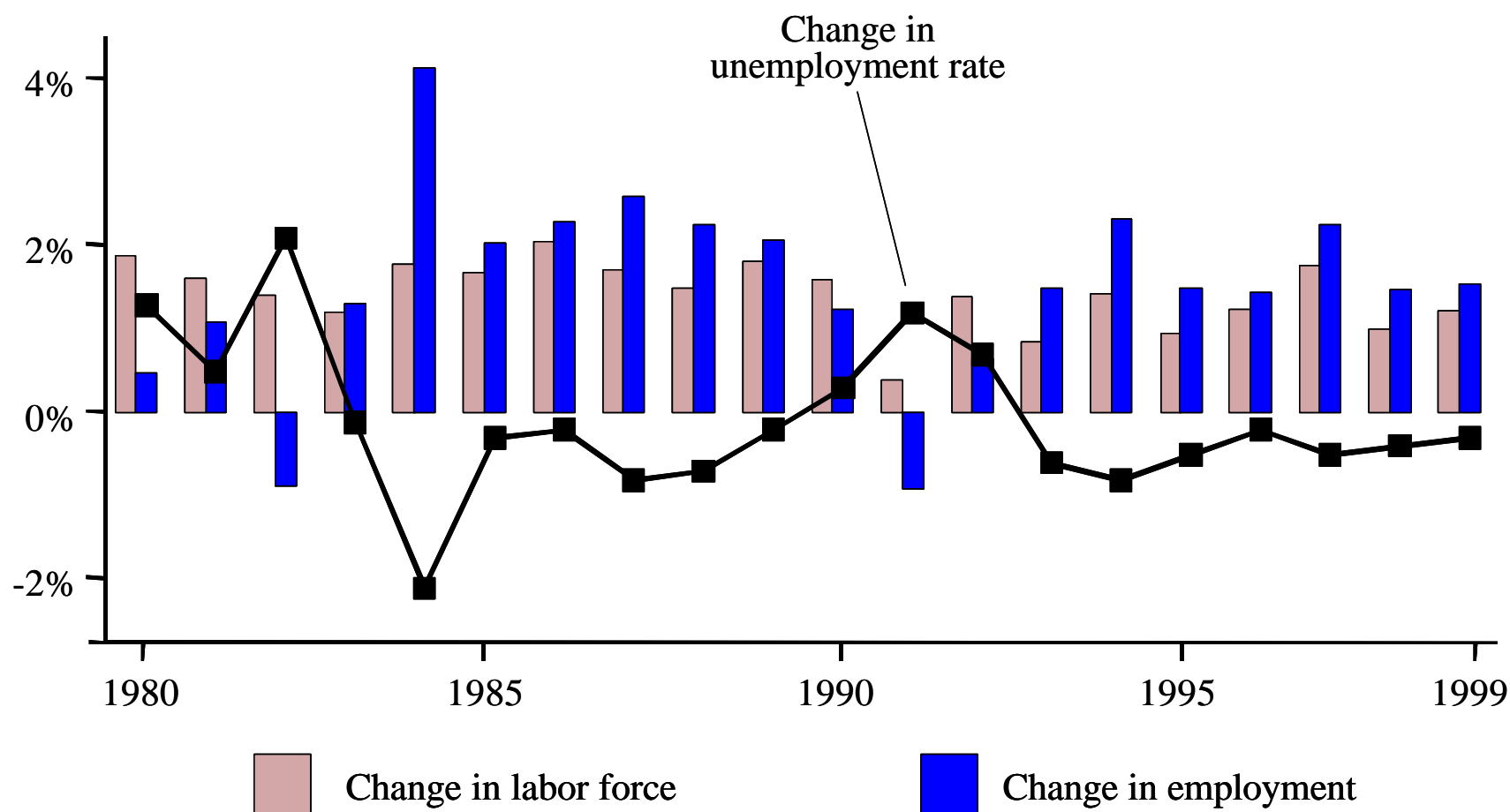


The Mean and Median Durations of Unemployment Have Trended Upward in Recent Decades.



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If Employment Grows Faster than the Labor Force, Unemployment Declines.



LABOR UNIONS

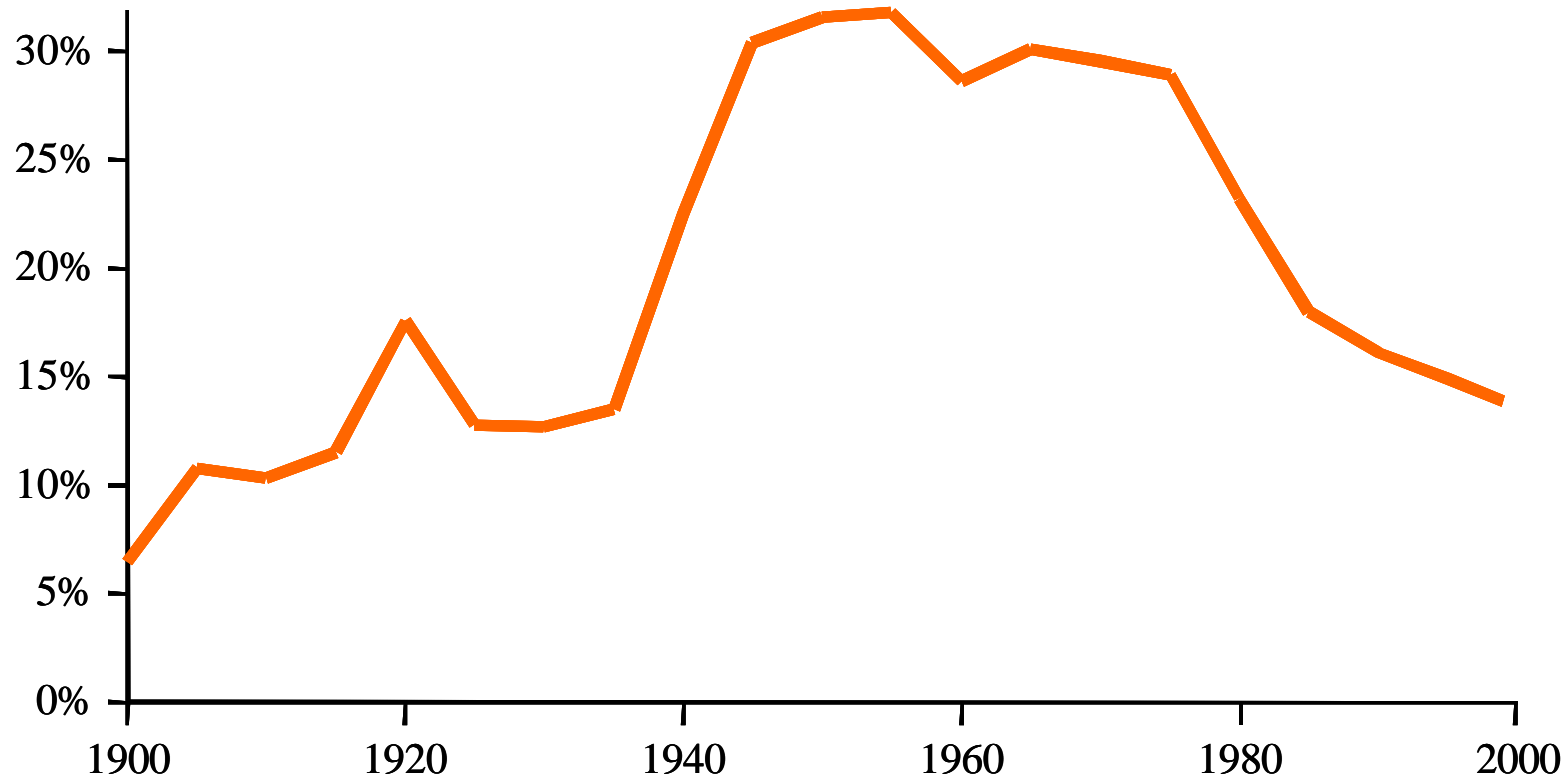
*Another cause of long-term unemployment is unionization.
High union wages that exceed the competitive market rate are
likely to cause job losses in the unionized sector of the economy. @*

C Larry Summers, 1993

- i Union membership has declined significantly as a share of total employment.
- i Union membership is increasingly concentrated in the public sector.
- i The degree of union penetration varies greatly by state. In the last decade, states with greater union membership as a share of non-agricultural employment have had slower job growth.
- i Unions held far fewer strikes in the 1980's and 1990's than in previous decades.

Union Membership Has Fallen as a Share of Non-Agricultural Employment.

Union membership as share of non-agricultural employment

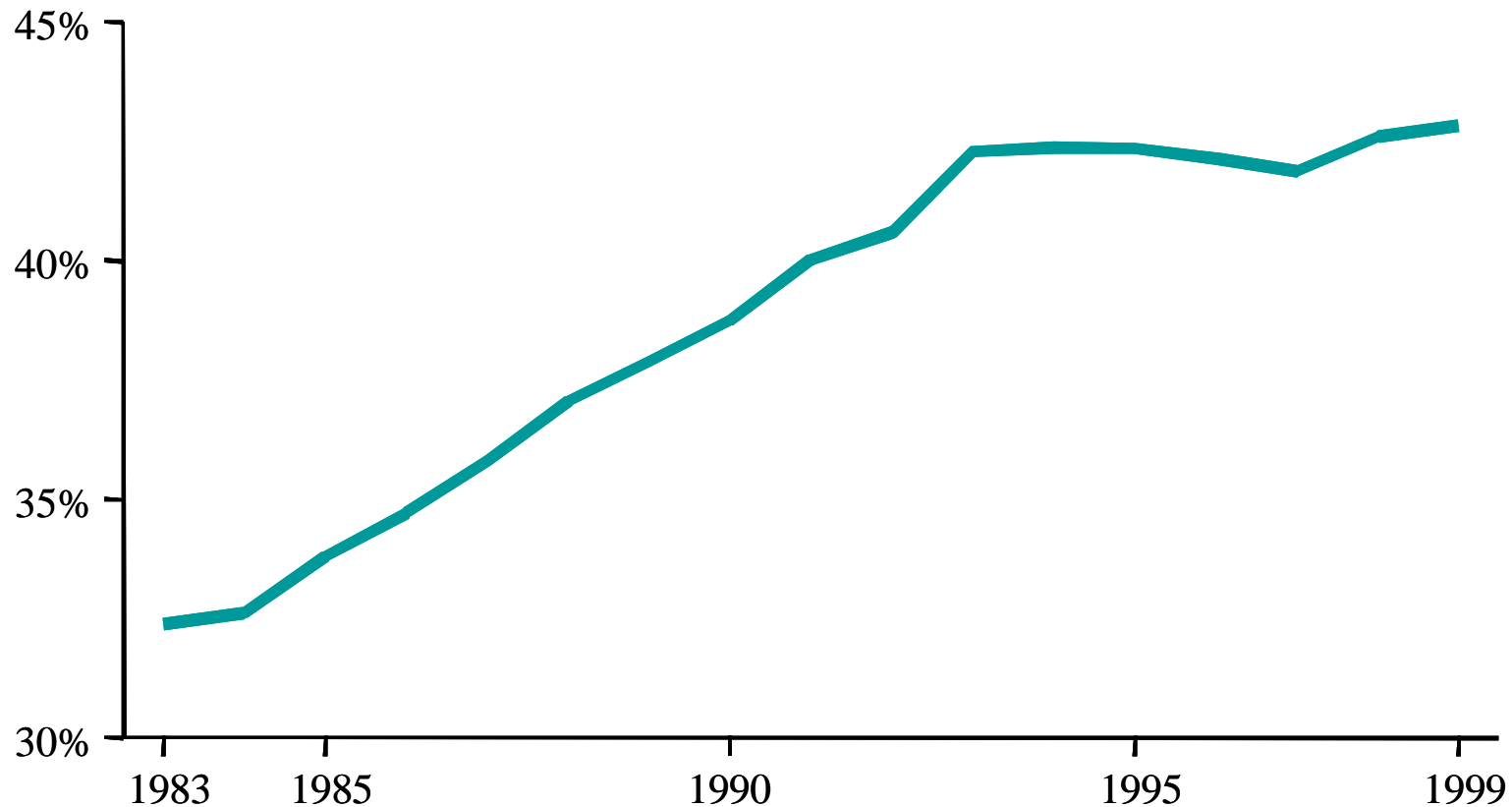


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Sources: Based on data from Bureau of Labor Statistics, 2000; L. Troy & N. Sheflin, U.S. Union Sourcebook (West Orange, NJ.: Industrial Relations Data and Information Services, 1985).

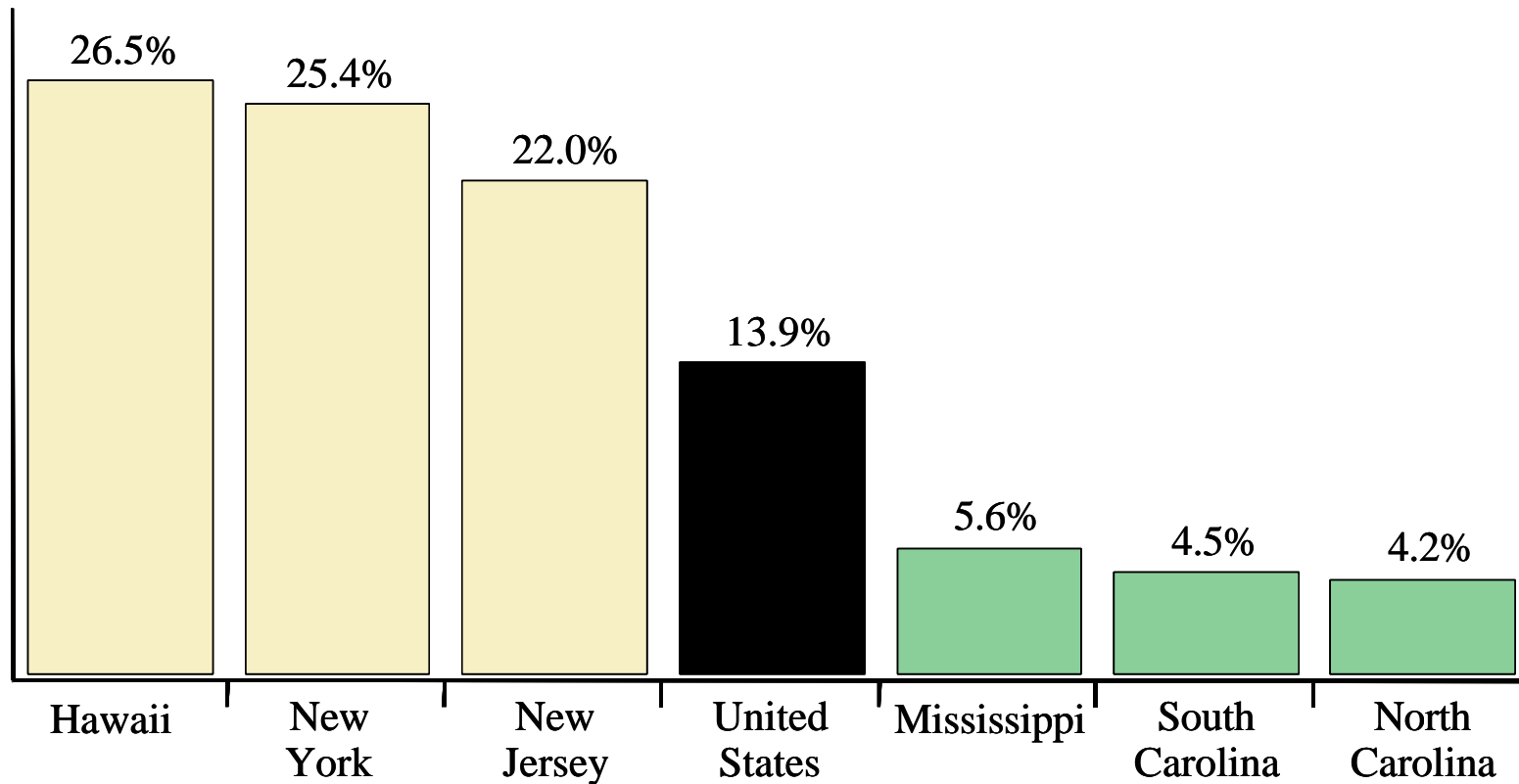
Union Membership is Increasingly Concentrated in the Public Sector.

Public sector's share of total union membership



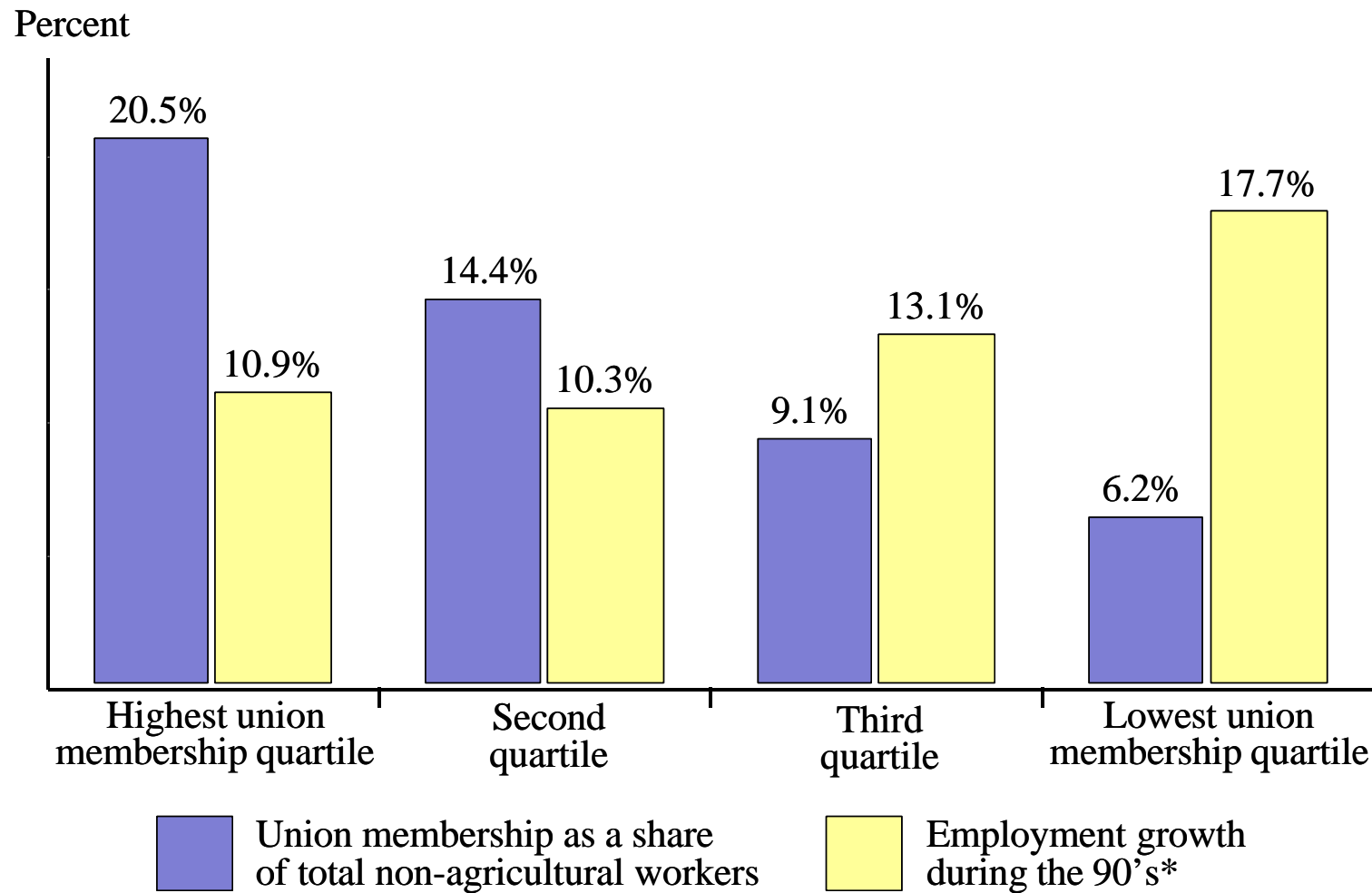
Union Membership as a Share of Employment Varies Greatly by State.

Union share,
1998



Union Membership and Employment Growth

A State Quartile Analysis



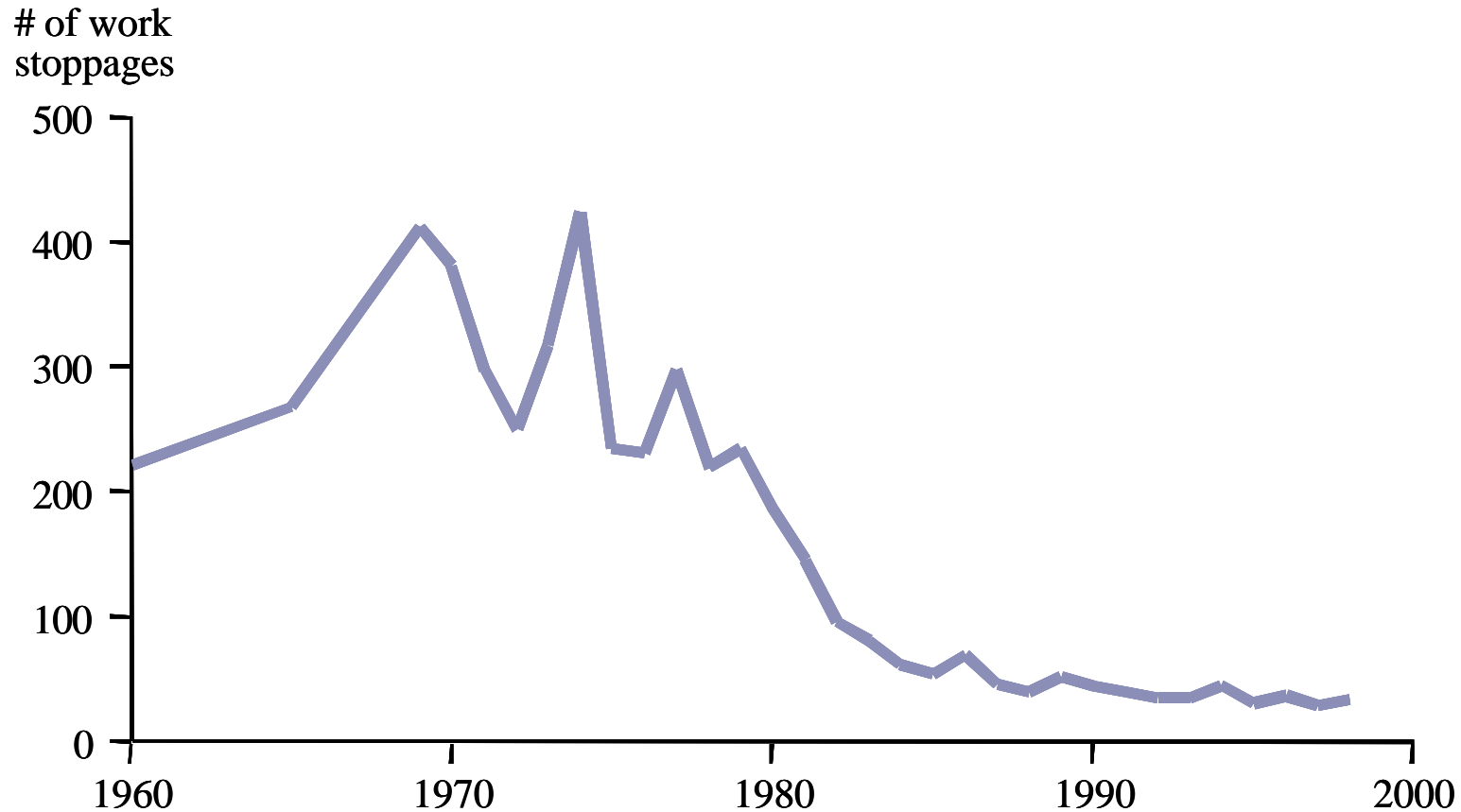
Note: *Employment growth is based on 1992-1999 state data.

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Source: Based on Bureau of Labor Statistics, 2000.

There Were Fewer Work Stoppages in the 1980's and 1990's Than in Previous Decades.



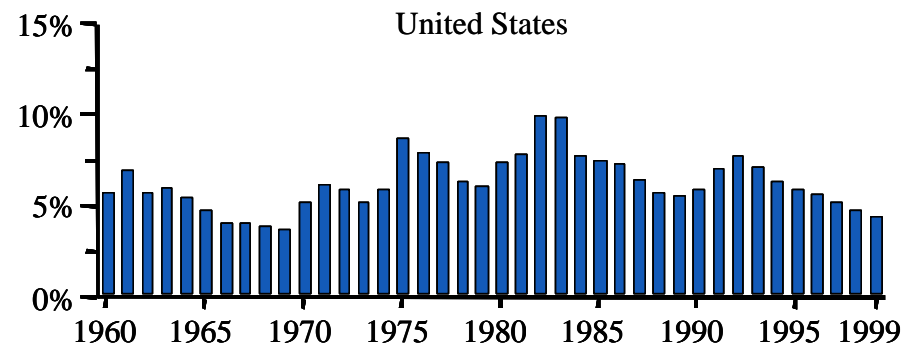
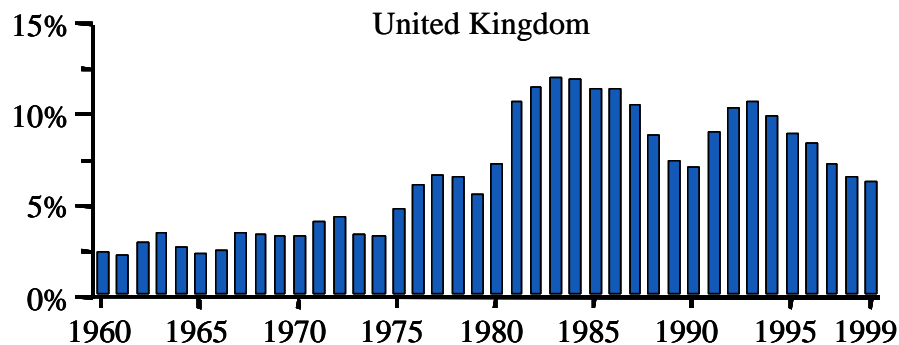
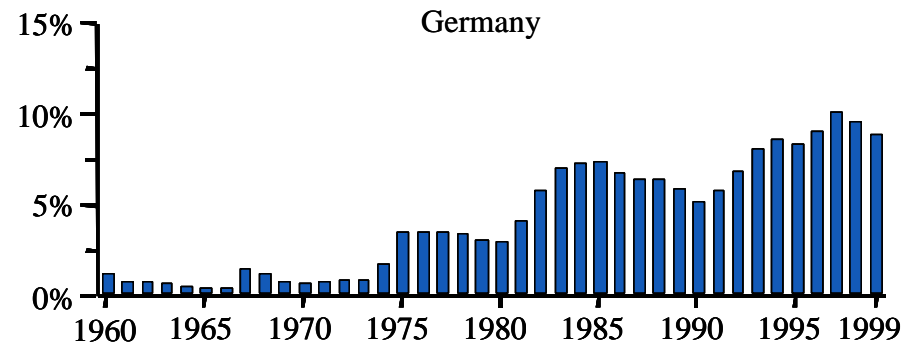
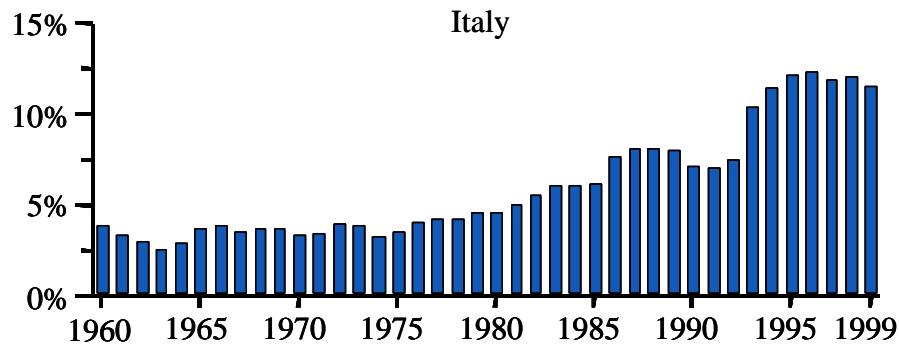
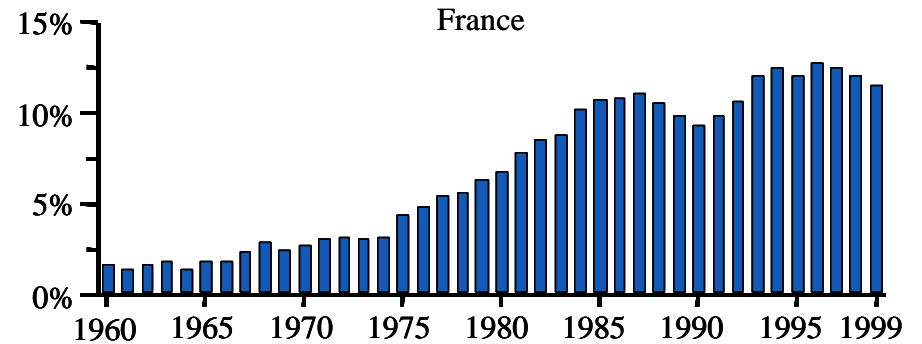
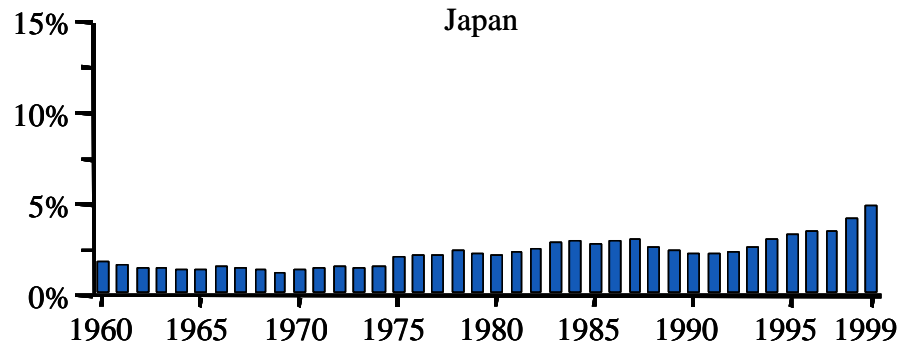
INTERNATIONAL COMPARISONS

Today, Europe's double-digit unemployment rate stands in marked contrast to America's full employment and is ample testimony to the relative decline in the dynamism of Europe.[@]

C former Federal Reserve Governor Larry Lindsey, 1999

- i Most of Europe suffers from persistent double-digit unemployment rates.
- i U.S. employment has doubled since 1960. Japanese and European employment growth has lagged far behind.
- i The unemployed in Europe stay out of work far longer than the unemployed in the United States.
- i Centralized collective bargaining agreements contribute to Europe's relatively high unemployment rates.
- i Americans work an average of 1,966 hours a year—two weeks more than the average Japanese citizen and fourteen weeks more than the average Norwegian. Developing countries such as Bangladesh tend to work more hours on average, but their productivity is much lower.

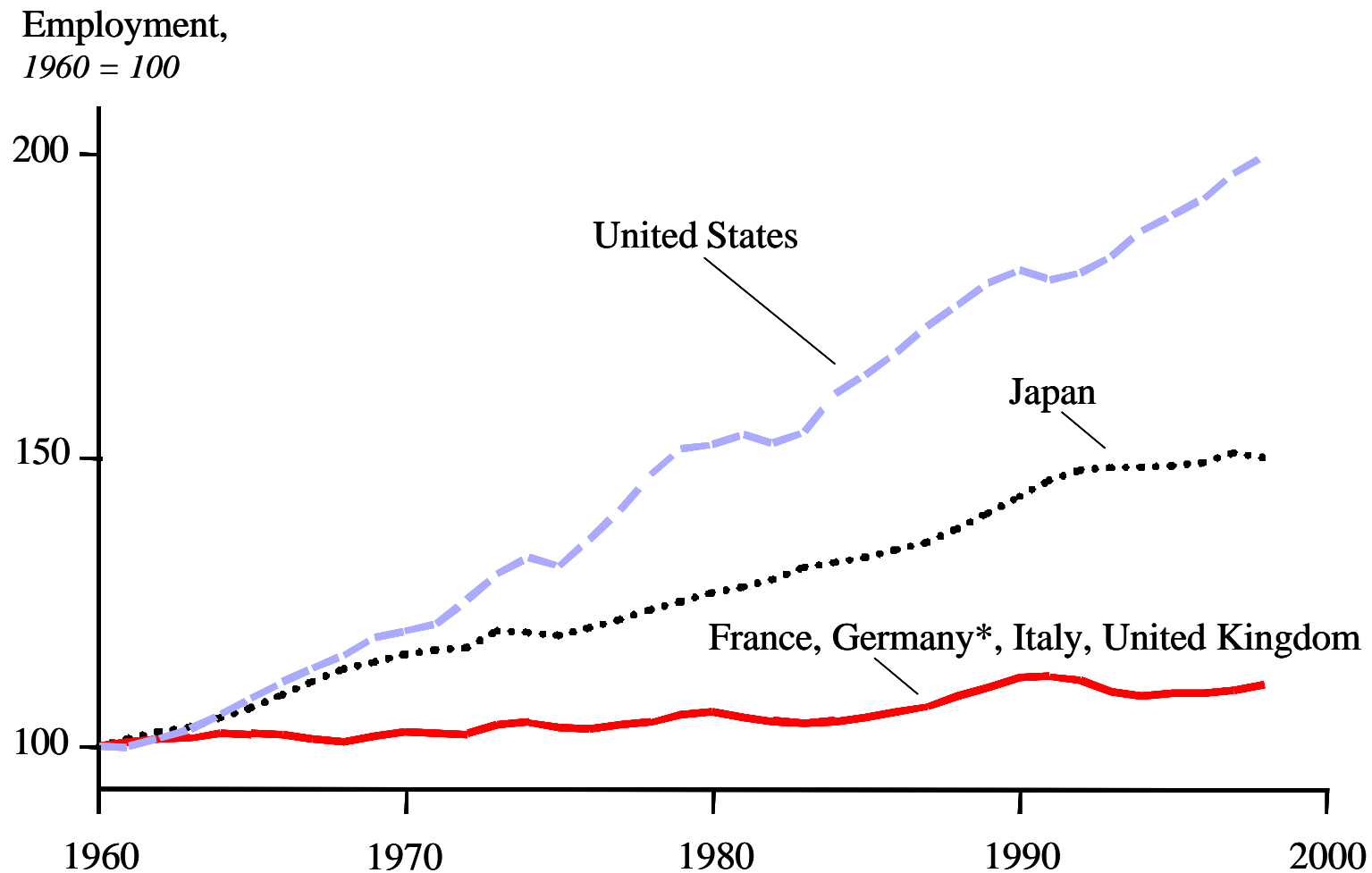
Unemployment Rates Around the World 1960 to 1999



U.S. Employment Trends and Developments
Joint Economic Committee, June 2000

Sources: Organisation for Economic Co-operation
and Development, 2000; Bureau of
Labor Statistics, 1999.

Comparing Employment Growth 1960 to 1999



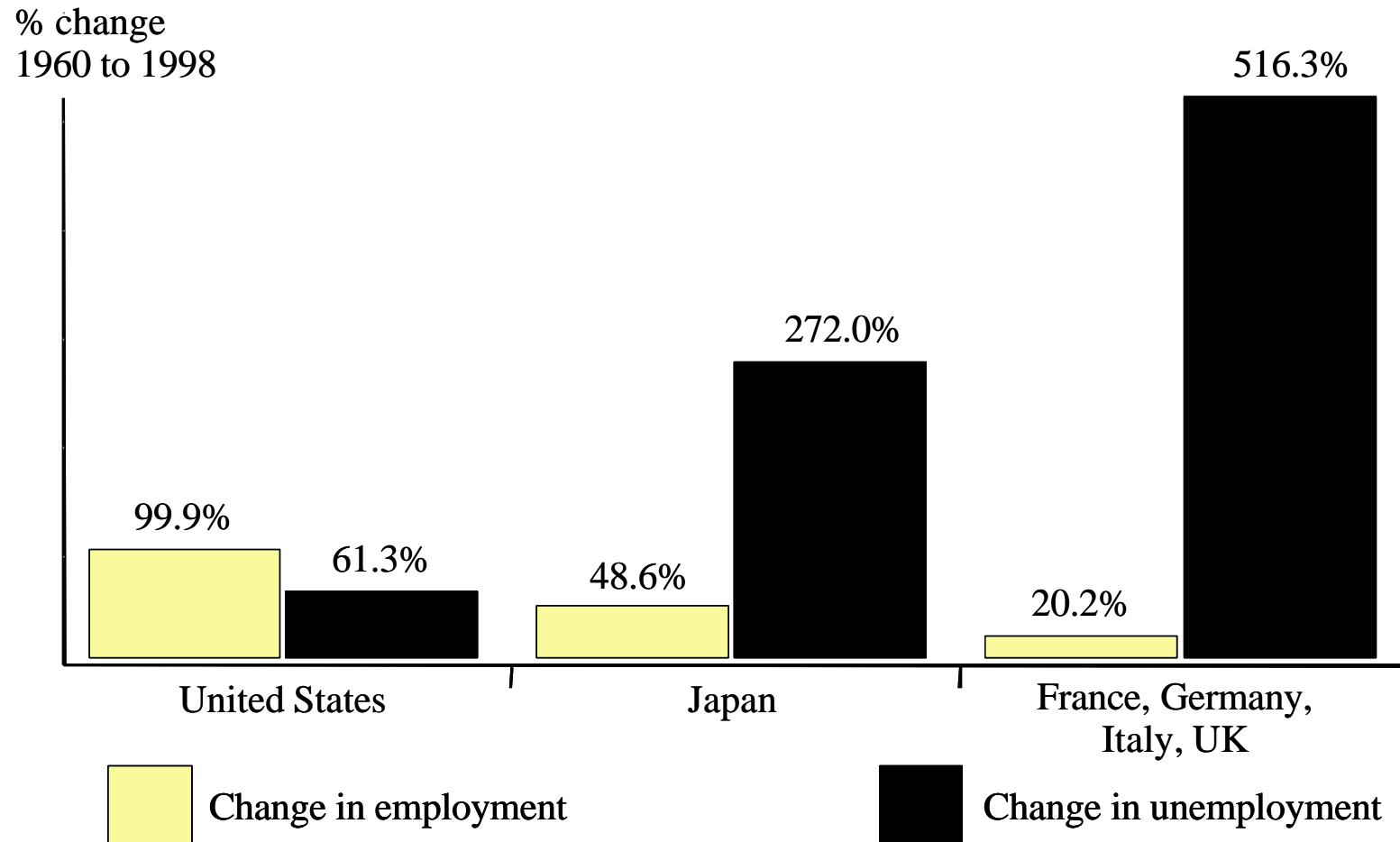
Note: *'Germany' does not include East German employment following reunification.

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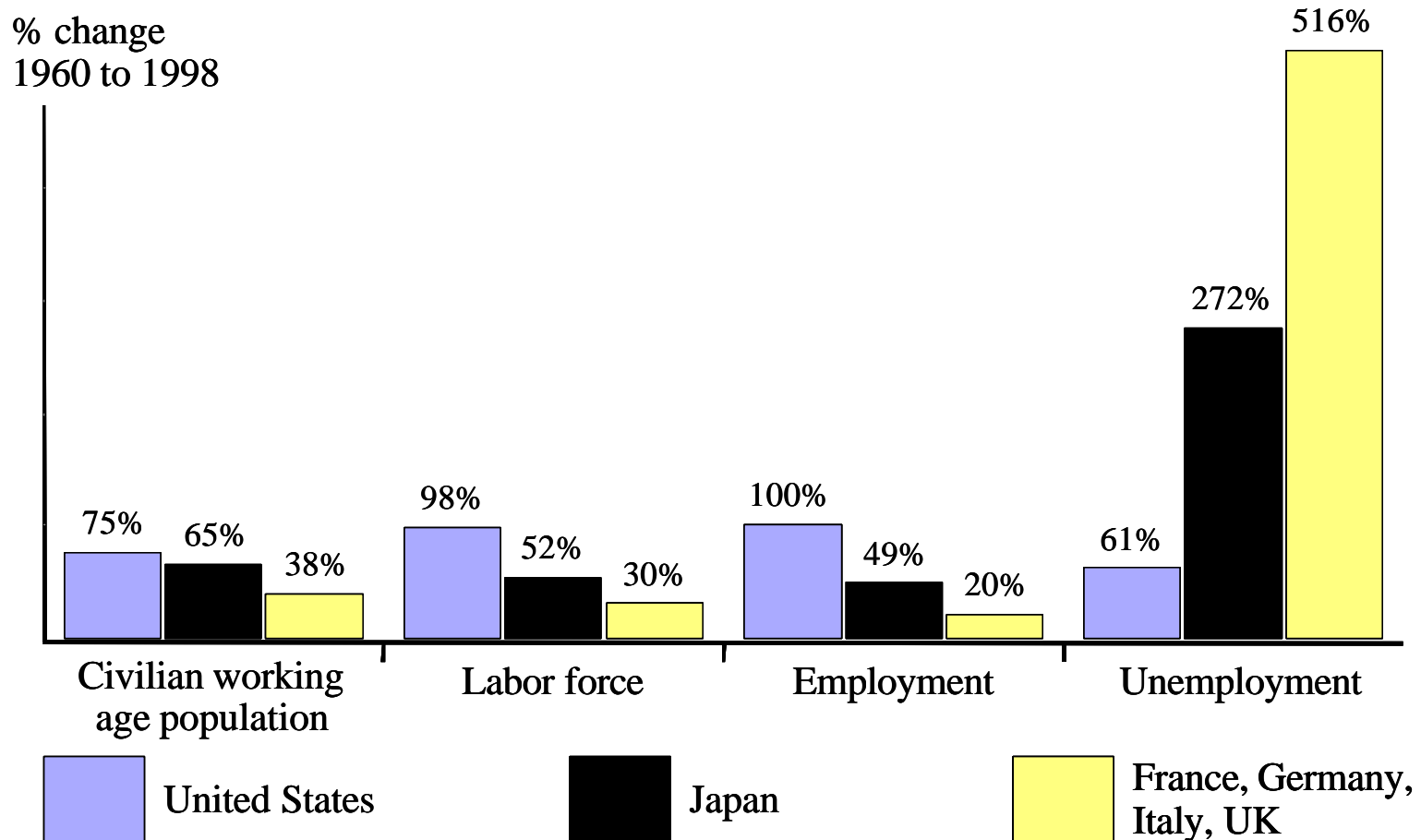
— Page 45 —

Source: Based on "Comparative Civilian Labor Force Statistics," Bureau of Labor Statistics, 1999.

Change in Employment and Unemployment 1960 to 1998



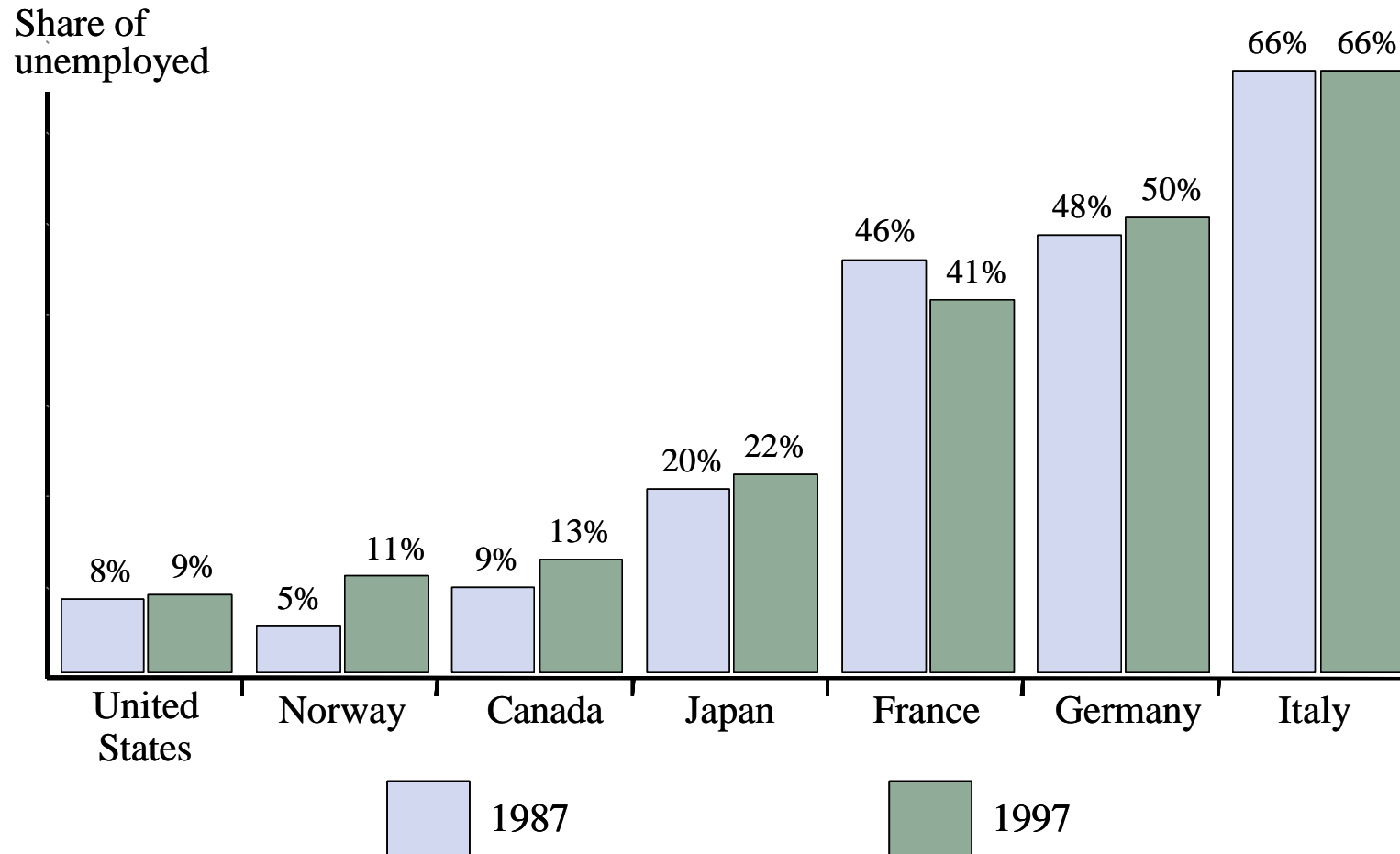
Comparing Changes in Labor Force Statistics 1960 to 1998



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Source: Based on "Comparative Civilian
Labor Force Statistics," Bureau
of Labor Statistics, 1999.

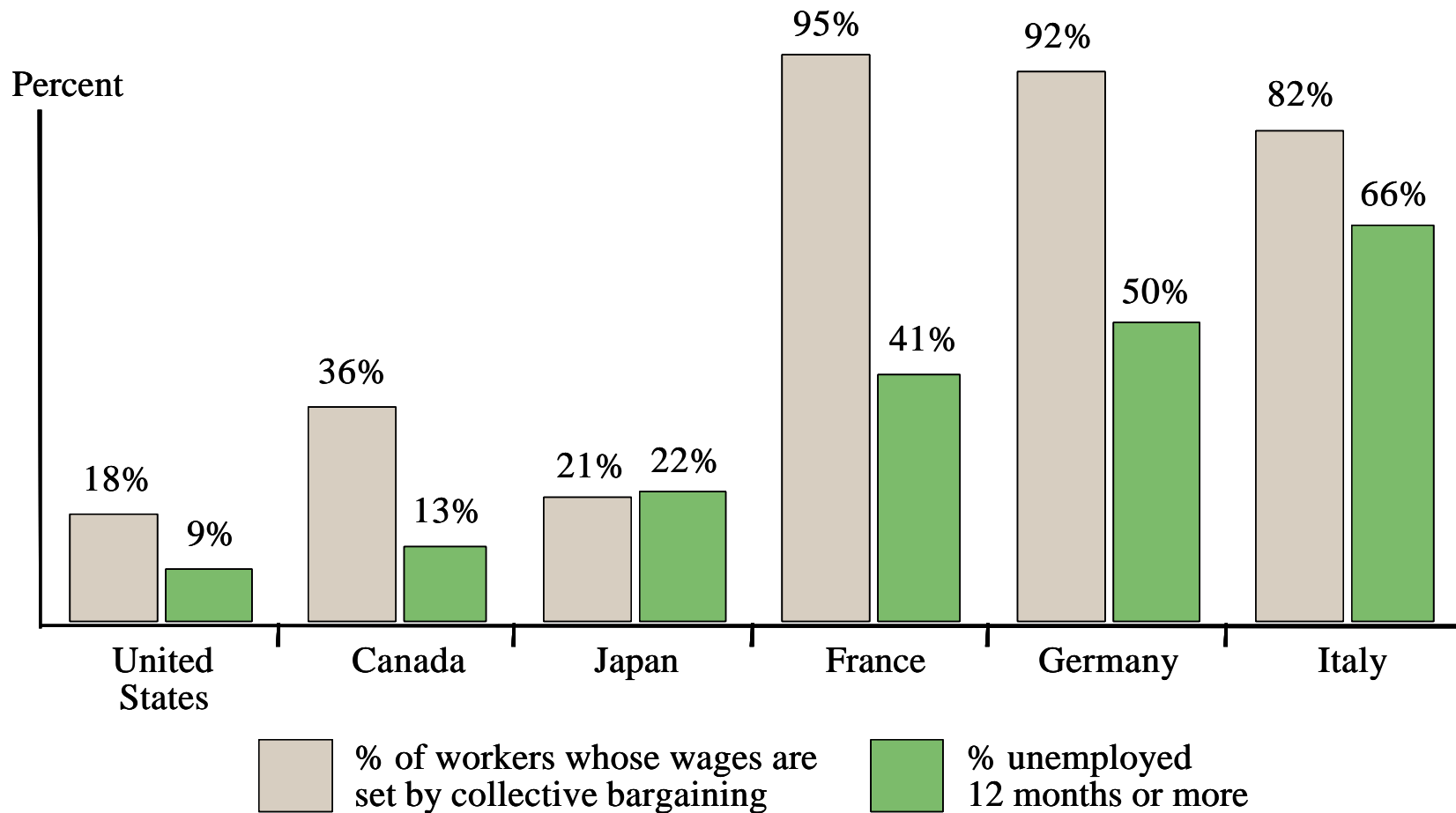
Percentage of Unemployed Population Unemployed 12 Months or More



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Source: Organisation for Economic
Co-operation and Development.

Centralized Collective Bargaining and Long-Term Unemployment Go Hand-in-Hand.



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Joint Economic Committee, June 2000

Sources: J. Gwartney & E. Bierhanzl "Regulation, Unions, and Labor Markets," *Regulation*, 1998; Organisation for Economic Co-operation and Development.

Americans Work the Longest Hours in the Industrialized World, 1997.

Country	Annual number of hours worked per person	Hours Worked Relative to the U.S.
Bangladesh	2,301	117%
Malaysia	2,244	114%
Thailand	2,228	113%
UNITED STATES	1,966	100%
Japan	1,889	96%
Australia	1,867	95%
New Zealand	1,838	93%
Canada	1,732	88%
Britain	1,731	88%
France	1,656	84%
Germany	1,560	79%
Sweden	1,552	79%
Norway	1,399	71%

Source: International Labor Organization, 1999.

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Joint Economic Committee, June 2000**

THE MATURING OF THE 'BABY-BOOM' GENERATION

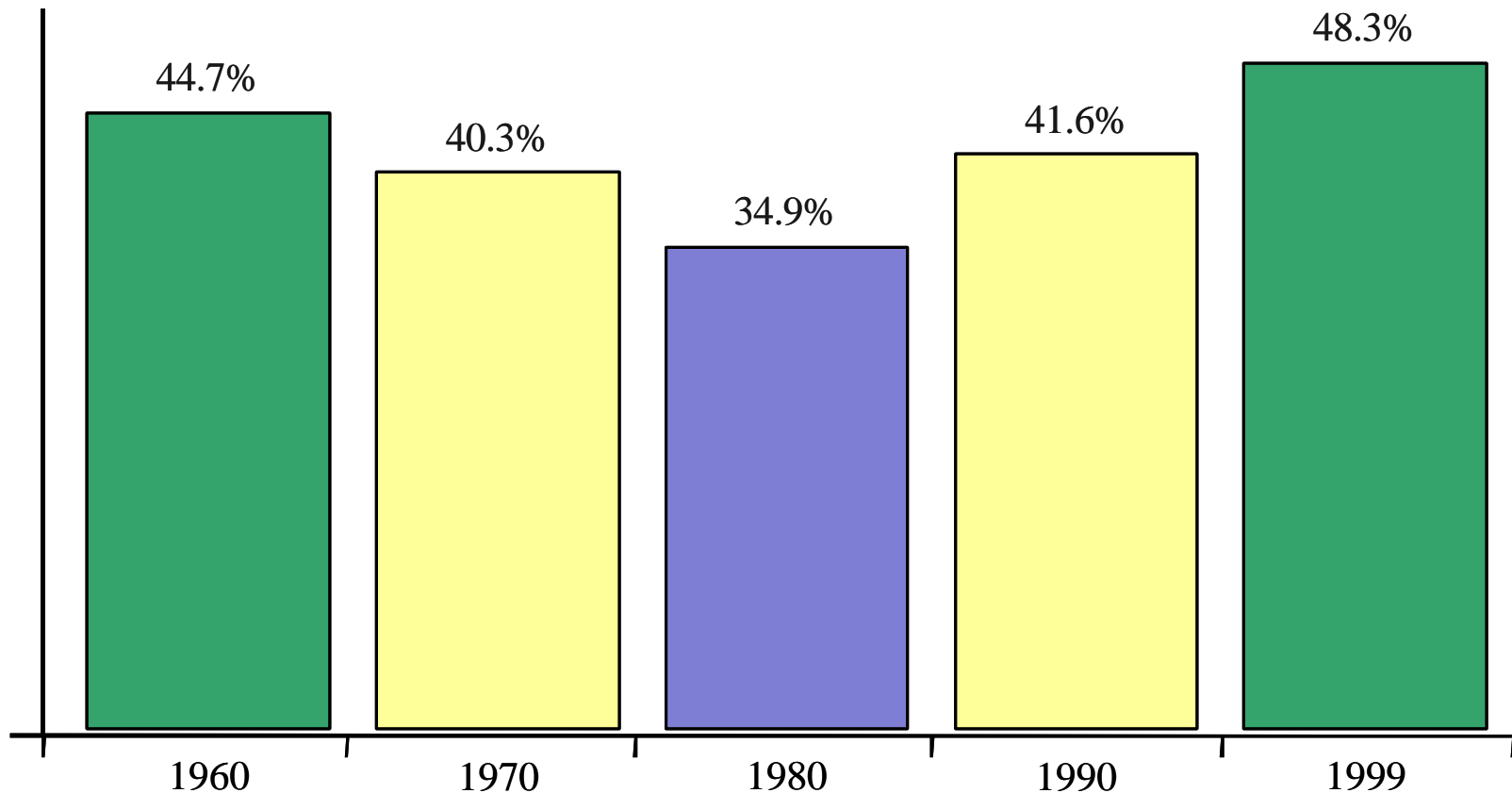
*"The French mathematician and philosopher Auguste Comte said, 'Demography is destiny.'
There is surely more to destiny than that, but when it comes to the supply of labor,
demography is certainly determinant."*

C Richard W. Judy, 1998

- i Productivity and economic growth are impacted positively when a large share of the population is in its prime-age earning years (35-54). As the 'Baby-boom' generation began to enter the labor force in the mid-1960's, prime-age workers fell as a share of the labor force. As the 'Baby-boom' generation matured, the share of the labor force in its most productive years increased. This boosted overall productivity and contributed to the economic expansion of the last two decades.
- i There has been a steady increase in the population aged 65 or more. Projections indicate that this growth will accelerate dramatically in the years following 2010.
- i There has been a steady decline in the number of working age (16-64) persons per potential Social Security and Medicare recipient. The rate of decline is projected to increase sharply after 2010, falling to a low of 2.9 after 2030 (down from 6.3 in 1960 and 5.1 today).

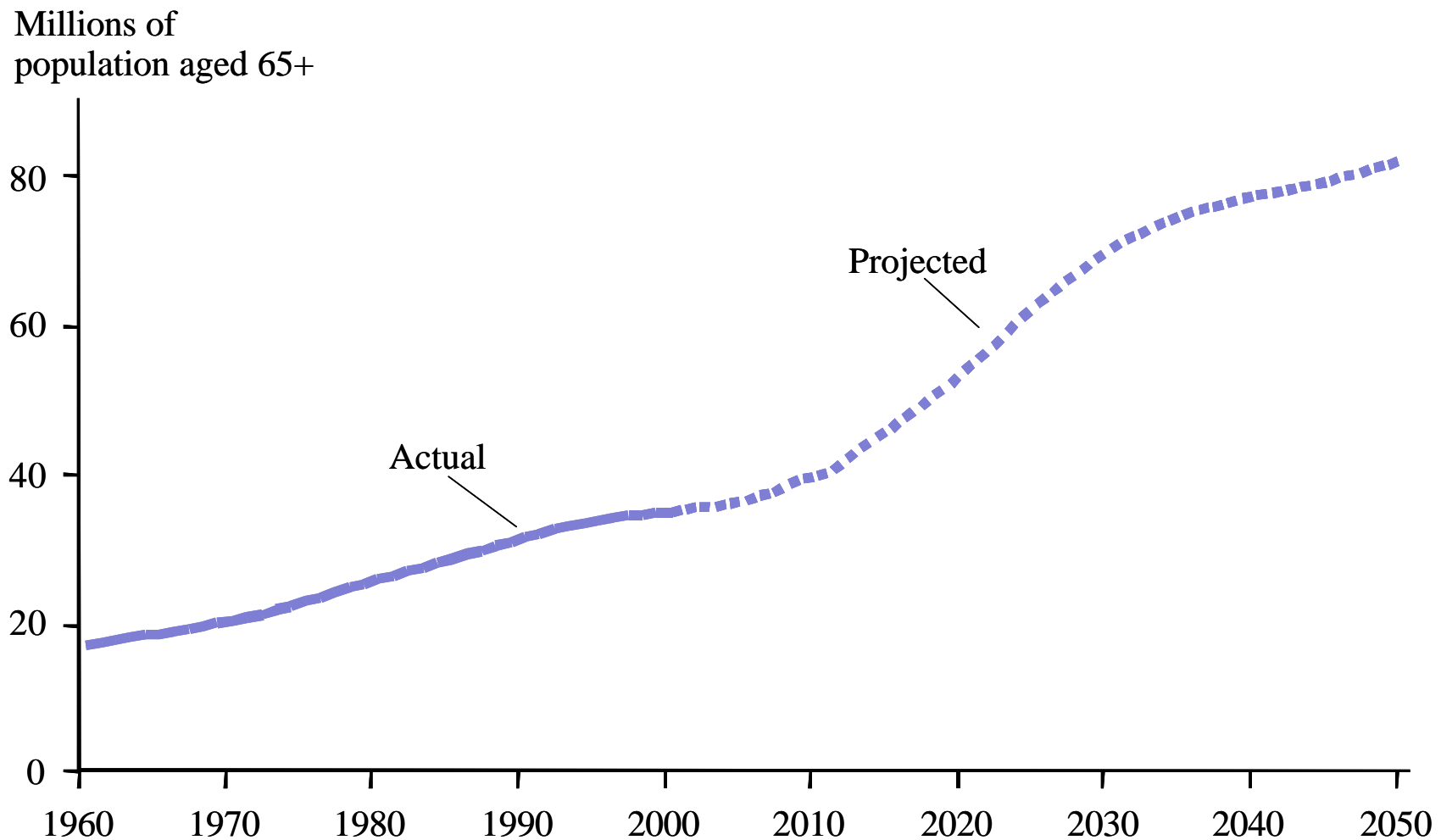
Prime-age Earners Have Grown as a Share of the Labor Force, Significantly Boosting Productivity

Prime-age earners
(35-54) as a share
of labor force



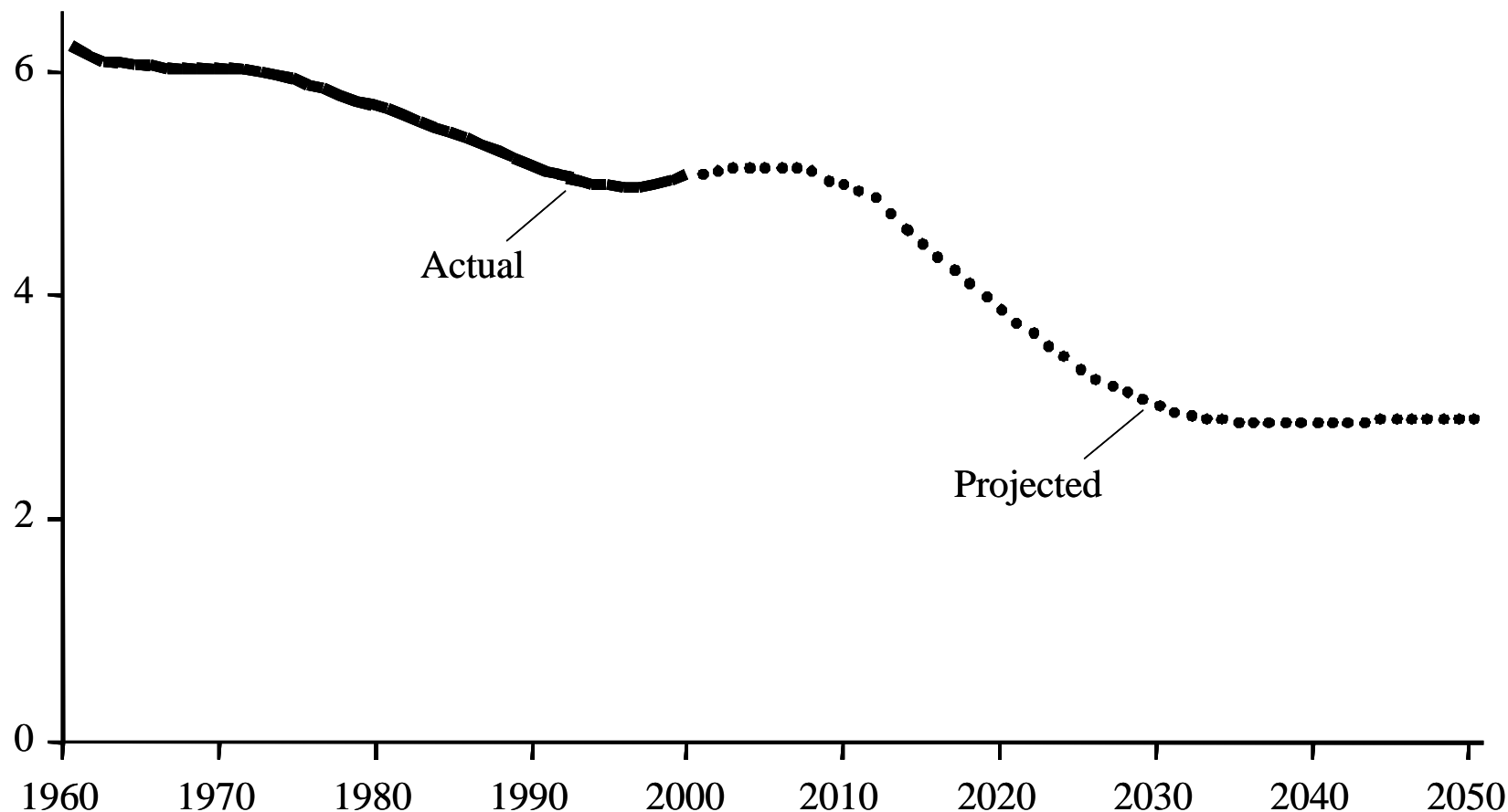
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The Retirement Age Population is Projected to Balloon After 2010.



The Ratio of Working Age Persons to Social Security Recipients Will Fall Dramatically After 2010.

of people aged 16-64 per
Social Security recipient



U.S. Employment Trends and Developments
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Sources: U.S. Census Bureau, Dept. of
Commerce; Haver Analytics.